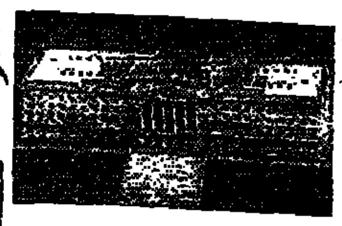
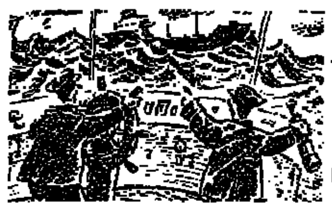


Northern Ireland
The realities have not changed



Safe collisions
Simulators bring nightmares to life
Page 10

Changing tack
Greenspan sends a signal
Page 13

Nafta fallout
Junior partners get together
Page 6

FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY FEBRUARY 3 1994

Clinton prepares to decide on Vietnam embargo

President Bill Clinton said he would decide "within the next several days" whether to lift the 19-year-old US embargo on trade with Vietnam. Almost all Mr Clinton's advisers are urging him to resume trade links and the US Senate last week backed the president by voting heavily in favour of a resolution urging an end to the embargo. Page 14

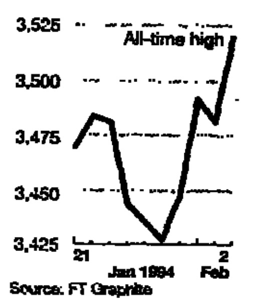
UK plans Ulster initiative: The British government will within the next two weeks bring forward fresh proposals for a new political settlement in Northern Ireland in a move calculated to wrest back the initiative from Sinn Féin. Page 14; *Attempt to limit damage over Adams trip, Page 8; Long haul across Ulster's quagmire, Page 12*

Viacom ahead in Paramount battle: Cable television group Viacom appeared to take a lead over rival QVC Network as their $10bn takeover battle for film and publishing group Paramount Communications entered what may be its final phase. Page 15; Lex, Page 14

Euro Disney, stricken leisure group which runs the EuroDisneyland theme park near Paris, reported a net loss of FFr553m ($94m) in the first quarter of the financial year against a deficit of FFr423m in the same period last year. Page 15; Lex, Page 14

UK market indices reach record highs

FT-SE 100 Index



Source: FT Graphite

All the UK market's leading stock indices reached record highs yesterday as a sudden burst of big buying interest in the FT-SE 100 future, plus a persistent report that a cut in UK interest rates may be imminent, caught marketmakers short of stock. The FT-SE 100 index ended the day up 38.8 at a record closing high of 3,520.3, having peaked at 3,520.4 minutes before the close of trading. Page 25; World stocks, Page 36

US trade talks hit resistance: A last-ditch effort by US trade representative Mickey Kantor to steer US trade talks with Japan towards agreement met stiff resistance from leading Japanese politicians. Page 6

West German output better than expected: West German industrial output rose by a better-than-expected 0.7 per cent in December, suggesting that the economy has seen the worst of the recession. Page 2

EU probes grant to Leuna: The European Commission opened an investigation into a DM497.2m ($284.1m) state aid package granted to east German-based petrochemical manufacturer Leuna by the Treuhand privatisation agency. Page 2

BNFL profits sharply down: British Nuclear Fuels reported annual profits of £76m ($114m), down from £161m the previous year, because of delays in the commissioning of the Thorp reprocessing plant at Sellafield, Cumbria. Page 8

Legal wrangle over shares: Holders of exchangeable preference shares issued by Rupert Murdoch's News Corporation fear they may incur a considerable financial loss because of a legal wrangle over the ownership of some shares in fine china manufacturer Royal Doulton. Page 16

Germany agrees to telecoms sell-off: The German government gave the go-ahead for the privatisation of national telecommunications operator Deutsche Telekom, the postal services and the Postbank. Page 2; **Lebanon to upgrade phones, Page 6**

Honeywell and Foxboro end dispute: Settlement of a bitter struggle for market share of advanced process control systems has been agreed between Honeywell of the US, which dominates the world market, and Foxboro, Massachusetts-based subsidiary of UK engineering group Siebe. Page 16

Seoul seeks to cool row with North: South Korea should drop its confrontational approach to North Korea and give it time to resolve the issue of nuclear inspections, South Korean foreign minister Han Sung-joo said. Page 4

Manchester nominated for Games: Manchester in the north of England, twice rejected to host the Olympics, was chosen over London as the country's nomination to host the 2002 Commonwealth Games. Page 8

■ STOCK MARKET INDICES

FT-SE 100:	3520.3	(+38.8)
Yield	3.35	
FT-SE Eurotrack 100	1540.13	(+7.30)
FT-SE-A All-Share	1764.11	(+1.1%)
Nikkei	20,250.03	(-166.31)
New York lunchtime:		
Dow Jones Ind Ave	3961.75	(-2.26)
S&P Composite	480.88)	(+1.26)

■ US LUNCHTIME RATES

Federal Funds:	3 1/16%
3-mo Treas Bills: Yld	3.106%
Long Bond	99¼
Yield	6.301%

■ LONDON MONEY

3-mo Interbank	5⅜%	(5 7/16%)
Liffe long gilt future:	Mar 118 7/32	(same)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$14.69	(14.355)

■ Gold

New York Comex (Feb)	$384.7	(384.1)
London	$384.6	(384.75)

■ STERLING

New York lunchtime:		
$	1.49645	
London:		
$	1.495	(1.5071)
DM	2.5928	(2.6028)
FFr	8.8026	(8.8408)
SFr	2.173	(2.1785)
Y	161.535	(162.224)
£ Index	82.8	(82.3)

■ DOLLAR

New York lunchtime:		
DM	1.73175	
FFr	5.8795	
SFr	1.4483	
Y	107.87	
London:		
DM	1.7343	(1.727)
FFr	5.888	(5.8661)
SFr	1.4535	(1.4455)
Y	108.85	(107.64)
$ Index	66.8	(66.6)

Tokyo close Y 108.3

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L10000	UAE	Dh12.00

Japan's pump-priming package to be financed by levy on consumption

Hosokawa cuts income tax to fight recession

By William Dawkins in Tokyo

A triumphant Mr Morihiro Hosokawa, the Japanese prime minister, early this morning announced an income tax cut worth Y18,000bn ($161bn) over the next three years in an attempt to lift the economy out of its worst recession since the second world war.

The government plans a Y6,000bn overall tax cut this year, including Y5,300bn of income tax reductions plus Y700bn of cuts in corporation tax, car sales tax surcharge and inheritance tax. All, except the car sales tax, will be backdated to January 1 – but financed by a rise in consumption tax.

The measures form the centrepiece of a package of tax cuts, government spending and low-cost loans, worth at least an estimated Y14,000bn, to be published later today.

It will be Japan's largest ever pump-priming package, coming after three earlier stimulus plans in the past 14 months, together worth just over Y30,000bn."This will increase household incomes and stimulate the economy," said Mr Hosokawa.

The income tax cut will be partly financed by a 7 per cent "people's welfare tax" which will replace the current 3 per cent sales levy – the equivalent of the European Union's value added tax – from April 1 1997.

Last week's agreement between the government and the opposition over far-reaching plans for political reform cleared the way for the economic package, which had been held up by the reform debate.

However, the economic plan now threatens to create further political instability by splitting the fragile seven-party coalition. Senior officials of the Social Democratic party, the coalition's largest but least dependable member, threatened early this morning to leave the government as a result of the sales tax rise.

The tax announcement is a victory for Japan's powerful finance ministry, which had insisted that an income tax cut must come with a rise in sales tax. This is needed partly to avoid straining a state budget already suffering from a drop in tax revenues caused by the recession. The government is also planning to raise liquor taxes for the first time in 10 years, officials said.

The income tax cut is by far the largest in recent years, although it is line with what markets were expecting from the government's long-delayed plans.

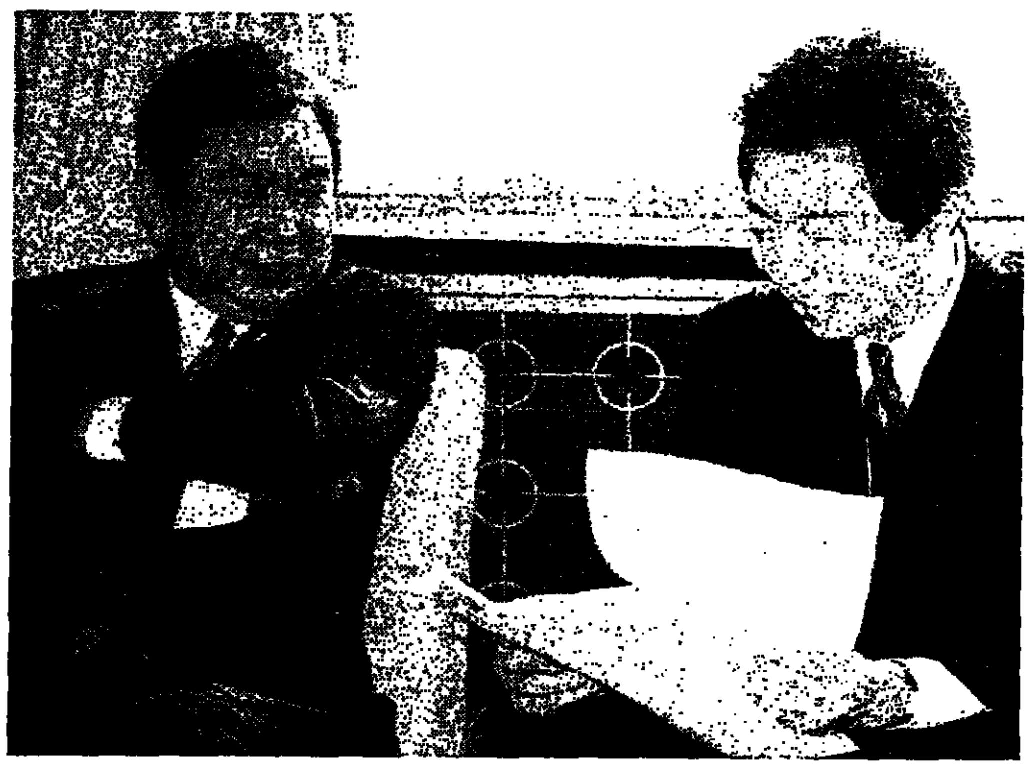
It will be welcomed by Japan's anxious business community and is designed to deflect US pressure for numerically measured increases in market share for imports. Mr Mickey Kantor, the US trade representative, and Mr W. Bowman Cutter, Washington's chief trade negotiator with Japan, in Tokyo yesterday completed an apparently fruitless day of negotiations for numerically targeted increases in imports.

They are hoping to pave the way for an agreement between Mr Hosokawa and US president Bill Clinton on the so-called trade framework talks when the pair meet in Washington this week.

The six SDP cabinet members will announce their plans later today, Mr Shigeru Ito, SDP transport minister, said. Mr Hosokawa admitted that members of his own Japan New party also had reservations about the sales tax rise, but said he would make "maximum effort" to push the plans through parliament.

With the support of the opposition Liberal Democratic party, which is co-operating with Mr Hosokawa on tax, he will be able to outvote coalition rebels.

The SDP campaigned in last July's general election on a promise not to increase sales tax, but marginalised themselves last month by voting against the government's plan to reform the electoral system and curb political corruption, so forcing Mr Hosokawa to strike a compromise with the LDP.



Reuter

Japanese prime minster Morihiro Hosokawa (right) discusses his tax cutting proposals with Yohei Kono, president of the opposition Liberal Democratic party, before yesterday's announcement

Court clears VW of poaching Opel staff

By Christopher Parkes in Frankfurt

A Frankfurt civil court yesterday rejected claims that Volkswagen broke competition rules in poaching seven managers from General Motors group and trying to lure away a further 22 last spring.

VW greeted the judgment as a crucial victory in its long-running dispute with GM over the recruitment of Mr José Ignacio López de Arriortúa, the US group's former global purchasing chief and his associates who followed him to VW.

Criminal investigations in Germany and the US relating to suspected industrial espionage, theft, perjury and wire fraud are still in progress.

However, the court, dismissing a call for the seven to be suspended from their jobs for a year, said in a written statement that it was a matter for debate whether allegations of the theft of GM secrets were justifiable.

Mr Jürgen Kicker, the lawyer representing Volkswagen, said the ruling exonerated Mr Ló pez and the German group from all suspicions against them.

He said: "It confirms what we have always said: that no one has stolen any trade secrets and no one has used any."

He said he did not think the current criminal investigations would come to any other conclusion than that reached yesterday by "such a highly regarded court".

Mr Otto Ferdinand Wachs, VW group spokesman said: "It was a very clear victory. The state prosecutors will have to think twice now before bringing any charges."

But a spokesman for Mr Klaus Liesen, chairman of VW's supervisory board, who is ultimately responsible for the board's conduct, stressed that the ruling resolved only the issue of anti-competitive staff poaching. Mr Liesen's comments once again reflected his continuing unease about the scandal.

Unlike Mr Ferdinand Piëch, VW chairman, Mr Liesen has consistently refused to give Mr Lôpez or his followers unconditional support.

Officials at Adam Opel, GM's German subsidiary, stressed that the evidence available to the Frankfurt court was more limited than that gathered by public prosecutors – it included only information from GM's files.

Evidence and statements gathered since last summer were not examined by the Frankfurt civil court, they said.

VW has admitted that some of Mr López's team were involved in shredding "possibly sensitive" material last March in the group's Wolfsburg guest house. Prosecutors, who have also investigated at least two further instances in which material has been destroyed, are examining computerised data seized during a raid on VW headquarters and employees' homes last August.

A court statement said it had not ignored the "unusual" circumstances in which all seven suddenly left and were almost immediately installed in new jobs at VW, but its decision was based on the former GM employees' evidence that they had all approached Mr López voluntarily.

Opel officials said yesterday's judgment was a sideshow to the main event. The company regretted the decision, and would examine the ruling before it decided whether to appeal.

German steelmakers set to refuse further capacity cuts

By Quentin Peel in Bonn and Lionel Barber in Brussels

Germany's private sector steelmakers will today tell Mr Günter Rexrodt, the economics minister, that they are not prepared to make any further cuts in production capacity for flat products, in spite of the European steel crisis.

The big unsubsidised German producers, including Thyssen, Krupp-Hoesch and Preussag, are annoyed about public sector subsidies being provided to other manufacturers, allowing them to maintain unwanted production capacity.

They are particularly angry about the rescue plan for the Klöckner-Werke steel plant in Bremen. The plan was formally signed on Tuesday and involves a consortium led by the government of the city-state. The European Commission is investigating the deal, which will maintain crude steel capacity of around 3m tonnes, for hidden public sector subsidies.

"This is the legalisation of a catastrophe," one leading steel producer said yesterday. "It means that production capacity is being subsidised in both Bremen and at Ekostahl [in east Germany], while private manufacturers have already made huge capacity cuts without any subsidies at all."

The private steelmakers are also bitter about last December's deal negotiated by all 12 European Union member states, allowing substantial subsidised production capacity to be maintained by the state-owned steel companies in Italy and Spain.

Today's meeting with Mr Rexrodt is ahead of talks on February 15 with Mr Karel Van Miert, the competition commissioner, in Brussels.

"We are looking for a restructuring concept from the industry, but we do not have any wild expectations that we will get one," a German economics ministry spokesman said last night.

The response seems likely to be blunt. "We will tell him that we have done enough," one producer said. "None of the unsubsidised producers are prepared to make more capacity cuts in flat products. That goes for Thyssen, Krupp-Hoesch and Preussag, as well as British Steel and Usinor-Sacilor in France."

The European Commission's warning on Tuesday that its steel rescue plan was on the brink of collapse appears to have been intended to put pressure on the private steelmakers to offer further cuts in production or face a free-for-all which would lead to more bankruptcies.

"There is a clear message [to the private sector]," a spokesman for Mr Van Miert said yesterday. "if you don't do it now, you can forget it."

"The real problem is structural," he added. "It is overcapacity."

Mr Martin Bangemann, German industry commissioner, was reported as setting a deadline of March 31 for companies to produce fresh cuts or face a cut-off in support from the EU's social fund. But other Brussels officials said that this was an empty warning since social fund aid could only be disbursed if capacity cuts were verified by the Commission.

Renault moves to cut stake in Volvo

By John Ridding in Paris, Christopher Brown-Humes in Stockholm and Kevin Done in London

Renault, the French state-owned car group, has sold more than half of its shares in Volvo – its first move to reduce the complex system of cross-shareholdings between the two groups following the collapse of their planned merger last December.

The block of 3.2m Volvo B shares was understood to have been sold to a number of institutional investors at SKr655 a share, valuing the deal at close to SKr2.1bn ($266.8m).

Renault said the decision to cut its stake in AB Volvo, the parent company of the Swedish car and commercial vehicle maker, from 8.27 per cent to 3.45 per cent was financially motivated.

It said its voting rights had only been reduced from just under 10 per cent to 8.76 per cent. The sale had not affected its shareholdings of 45 per cent in Volvo's truck activities and 25 per cent in its car operations.

However, the share disposal follows the dismantling of several agreements between Renault and Volvo over the past few weeks.

Renault and Volvo entered into a far-reaching alliance in 1990, but plans for a full merger collapsed in December in the face of a shareholder revolt in Sweden.

Renault said its shareholding in Volvo was not covered by the 1990 agreement, and since the collapse of the merger it had been treating the stake like any other investment.

The timing of the sale had been determined by the strength of Volvo's share price, which had risen by around 70 per cent since the merger plan collapsed.

Renault has made an estimated capital gain of around FFr750m ($126.26m) from the share disposal.

Mr Sören Gyll, Volvo chief executive, said the sale of Renault's stake would not affect the continuing dialogue between the two companies over areas where it made commercial sense to con-

Continued on Page 14
Editorial Comment, Page 13
Lex, Page 14

CONTENTS

NEWS: EUROPE

Germany's output shows improvement

By Christopher Parkes in Frankfurt

West German industrial output rose a provisional 0.7 per cent in December last year, supporting the widespread view that the economy has seen the worst of the recession.

The improvement followed an unexpectedly sharp drop of 2.1 per cent in November, when cold weather severely hampered construction work. Milder conditions in December bolstered output from the building sector by 5 per cent.

Although the figures were better than expected, the Economics Ministry warned it expected a downward adjustment when all the data were available. The warmer weather depressed electricity and gas production by 2 per cent, but all other sectors showed increases. Output from manufacturing industry, excluding energy, mining and construction, rose 0.5 per cent.

The date for Germany's general election, the culmination of 19 separate local, regional and national polls in Germany this year, will be October 16, the main political parties agreed yesterday, writes Quentin Peel.

For last year as a whole, output was 7 per cent down on 1992, but only 2.9 per cent lower in the fourth quarter than a year earlier. Economists said the figures supported their forecasts of 0.5 per cent growth in west Germany this year, but stressed they depended on export demand. Since real incomes were falling, and government spending was being cut, few saw any prospects of growth in domestic demand. This view was supported yesterday by figures from the specialist retail trade which showed a real 5 per cent decline in sales in December.

There were also warnings that strikes in the engineering industry could wreck economic growth prospects. Mr Rüdiger Pohl, one of the government's independent economic advisers, said if the current wave of warning strikes developed into protracted official stoppages, Bonn's hopes of 1.5 per cent growth in gross domestic product would be dashed.

While the IG Metall union had already rejected a pay freeze, Mr Pohl suggested real wage cuts were necessary.

Deutsche Telekom closer to sell-off

Ariane Genillard on the bill that provides for the privatisation of posts and telecommunications

The German government yesterday gave the go-ahead for the privatisation of Deutsche Telekom, the national telecoms operator, the postal services and the Postbank.

A bill providing for privatisation of the three companies is due for a first reading today in the lower chamber of the parliament. It is not expected to meet resistance in the German legislature as all parties gave their basic approval to it on Tuesday night.

This follows two years of negotiations between the coalition government and the opposition Social Democrats, whose support is needed to change the constitution which defines telecoms and the postal services as state-owned activities.

The bill is aimed at allowing all three companies to prepare for privatisation and intensified international competition, recently highlighted by the European Union's decision to liberalise basic voice telephony in 1998. "The law sets the prerequisites for Deutsche Telekom to position itself in the global telecoms market ... and strike alliances with foreign partners," Mr Wolfgang Bötsch, the German post and telecommunications minister, said yesterday after the cabinetapproved the final text.

The law, which is expected to come into force at the beginning of 1995, will turn the three into joint-stock companies. Deutsche Telekom is expected to sell on the stock market, starting in 1996, an initial tranche of shares representing 25 per cent of the company's equity and worth between DM10bn-DM15bn.

However, as a result of demands made by the SPD, a state-owned holding company will be created to keep some of the shares of the three companies temporarily.

In the case of Deutsche Telekom, the holding company will retain a majority ownership in the five years after the bill becomes law, that is until 2000. The state is expected to remain the sole shareholder of the postal services as long as they continue to report losses. The holding company will also retain 12.5 per cent of the Postbank with another 12.5 per cent of the bank held by the postal services. Mr Günter Schneider, Postbank's chief executive, recently said the bank would immediately seek equity partners, starting with savings and loans institutions with whom it already has co-operation agreements.

The European Commission yesterday said it was reviewing a planned telecommunications consortium between Mannesmann, the main competitor to Deutsche Telekom in the German mobile phone market, RWE, the energy-based conglomerate, and Deutsche Bank, Germany's largest bank, Reuter reports from Brussels.

The joint venture, which initially plans to offer fixed-wire services to corporate clients, needs Brussels approval under merger control regulations. The Commission has about a month to approve it or open an in-depth inquiry if it believes the alliance could hurt competition in any European Union market.

Deutsche Telekom, which has conducted an intensive two-year campaign for its privatisation, has eased concerns that the holding company might have had too much power over its activities. Officials at Deutsche Telekom now say the holding company will not significantly hamper their managerial freedom – a point also stressed by government officials.

Deutsche Telekom urgently needs to raise cash to reduce its DM100bn (£38bn) debt and continue its DM60bn investment programme in eastern Germany. Under an agreement between the post and finance ministries, the company will have to pay, by 1996, DM6.5bn to the postal services and Postbank, whose losses it is legally required to cover before privatisation. Officials at the post ministry say Deutsche Telekom will probably have to use a portion of its privatisation proceeds to do this. It will also have to accept the creation of an "infrastructure committee" made of officials from the federal government and the states. This follows demands by the SPD for some continued state supervision. The party wants to ensure that the private companies will not neglect infrastructure investments in less-populated areas.

Mr Bötsch yesterday said the committee would only be able to suggest new infrastructure investments and not order them. Moreover, the federal government would be able to override decisions taken by the states in the committee.

The government has also had to reckon with the refusal of the SPD to accept a law which would put a deadline on the monopolies enjoyed by Deutsche Telekom and the postal services. As a compromise, the law prolonging the monopolies will end on December 31 1997. "We call on the legislators to tackle this question by then," Mr Bötsch said yesterday.

The date coincides with the EU voice telephony liberalisation. However, the formula also allows German parliamentarians to keep the monopoly of Deutsche Telekom on its telephone infrastructure and of the postal services after 1997, depending on whether liberalisation has been decided at the European level.

Mr Bötsch said again yesterday that this concerned only the monopoly of the postal services over regular letter mail. Talks are to be conducted in the coming weeks between the postal services, the government and mail-order companies who want mass mailings to be opened to competition.

Officials at the German industry federation, the BDI, said yesterday that the final bill was satisfactory, especially in light of the difficult negotiations between the government parties and the SPD.

The package continues to be rejected by the Post trade union which fears for the jobs of its members and had hoped to persuade the SPD to refuse to agree to privatisation.

See Lex

Moscow less in love with west

But foreign policy has no truck with extreme nationalism, reports Leyla Boulton

Those in the west who have been watching Mr Vladimir Zhirinovsky, Russia's ultra-nationalist, tour the former Yugoslavia and talk of secret weapons to protect Serbs, may well be asking whether his remarks in any way reflect Russian foreign policy.

The unequivocal answer is that they do not. Mr Zhirinovsky is seen as a dangerous lunatic by most of Russia's political establishment and his talk of a secret weapon, denied by the Defence Ministry in Moscow when he last referred to it a month ago, is not new.

Only on Tuesday, Mr Andrei Kozyrev, the foreign minister, reiterated that his Yugoslav policy was basically unchanged and joked that Mr Zhirinovsky's one skill was to "create an atmosphere of hysteria and suspicion".

Mr Zhirinovsky's remarks, however, do coincide with a change of tone from Moscow, which more seasoned Russia watchers had been expecting for some time as an overdue adjustment of policies which had become so unequivocally pro-western they were no longer sustainable politically.

Nowhere has that change of tone been clearer than from Mr Kozyrev, long singled out as enemy No.1 by Russian nationalists who dominate the new parliament elected in December. Although most ordinary Russians do not share the strident nationalism of many of their MPs, they display the natural sensitivities of citizens of a great nation humiliated by the collapse both of their economy and of the Soviet Union.

Despite western alarm over a non-binding parliamentary vote opposing military action in the former Yugoslavia, Russia's willingness to continue supporting what are viewed as increasingly incredible threats by western governments there is not the best test for judging consistency on foreign policy.

If anything, long-standing Russian scepticism about the value of air strikes or other military intervention appears increasingly justified with the passing of every month these threats are not carried out.

Most Russians do not even care about what happens in former Yugoslavia – its conflicts are not brought into people's living rooms every night by the sort of media coverage of Bosnia which is common in the west.

But they could be made to feel upset if east European states, or those of the Baltics, joined the North Atlantic Treaty Organisation and Russia was left to its own devices.

Last week Mr Kozyrev used a visit to China to announce that he was fed up with lectures from the west. The week before, he had expressed anger at US and Baltic protests over comments he had made to say that Russia could not tolerate western military might filling the "security vacuum" left open by retreating Russian forces. With some justification, he said his remarks had been quoted out of context to alarm the west into thinking Russia would not withdraw its remaining troops from Estonia and Latvia.

His deputy, Mr Vitaly Churkin, subsequently warned Estonia and Latvia against trying to stir up western pressure to expedite a Russian troop withdrawal. He said Russian forces were on their way out, but that Russia was also entitled to agreements securing the future of retired servicemen still living in the Baltics, and allowing Russia to continue manning early warning systems in Estonia.

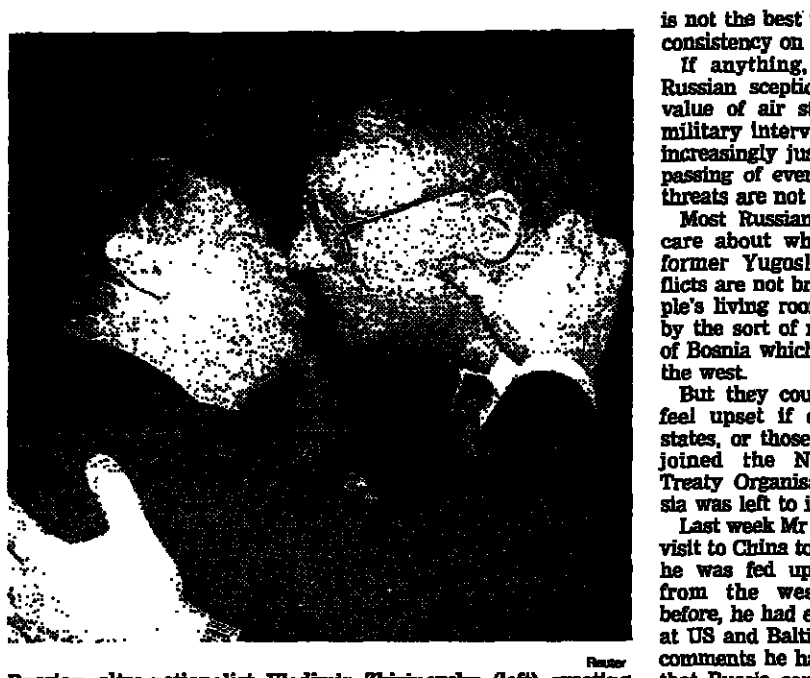
In a sign of just how jumpy the west has become and how quickly it could change its mind about Russia, Mr Kozyrev's remarks were enough to alarm Scandinavian politicians, who are closest to the Baltics, into considering sharp protests over a perceived change in policy. That was avoided only thanks to the deft work of Scandinavian diplomats in Moscow.

The main priority for both the west and Russia, say diplomats, is to avoid any declarations and gestures that might fuel a fire that is being maintained at a minimum level for domestic Russian purposes.

As one western diplomat pointed out: "Russia's ideal foreign policy now would be not to have one at all."

In practice, Russia's priorities are increasingly focused on two issues: its economic crisis, and relations with former Soviet republics making up its so-called "near abroad". Their implications for foreign policy are long-term.

If not brought under control, Russia's economic crisis could bring an ultra-nationalist similar to Mr Zhirinovsky – but probably not him because of fears for his stability – to power. Such a figure would undoubtedly turn against the west and neighbouring states to distract public opinion from painful economic problems.



Reuter

Russian ultra-nationalist Vladimir Zhirinovsky (left) greeting Vojislav Seselj of the Serb Radical party in Belgrade yesterday

Zhirinovsky's 'ray' of despair

Mr Vladimir Zhirinovsky, the Russian ultra-nationalist, yesterday said his threat that a secret "death ray" would be used to defend the Serbs, in the event of western military intervention against Bosnian Serbs, was not a joke, writes Laura Silber in Belgrade. In talks with Serb leaders, including Mr Slobodan Milosevic, he gave no details about the alleged weapon, but said he would be testing it overnight in Brcko, north-east Bosnia.

Chubais sounds inflation warning

By Leyla Boulton in Moscow

Mr Anatoly Chubais, the only surviving radical reformer in the Russian government, said yesterday that the first-quarter budget would show whether Mr Victor Chernomyrdin, the prime minister, really intended to change the country's reform course.

Unless the government managed, by adopting a tough fiscal and monetary policy, to reduce inflation to 5-6 per cent a month by the end of the year, rather than the 15-18 per cent mentioned by Mr Chernomyrdin at the weekend, economic reform in 1994 would have failed.

Mr Sergei Dubinin, acting finance minister, vowed yesterday to stick to a tough fiscal and financial policy and to keep the budget deficit to 5-8 per cent of gross domestic product. Like the inflation figure, this target was agreed with the International Monetary Fund by the previous government.

Mr Chubais, who has stayed in office to complete his massive voucher privatisation programme, also ridiculed a programme drawn up by veteran pro-market economists proposing price and wage controls and abolition of the voucher scheme. "It's a long time since I've read academic work which is so far removed from reality," he said. The report, commissioned to help the prime minister in his search for non-monetary methods to fight inflation, has apparently displeased President Boris Yeltsin, who has remained silent over Mr Chernomyrdin's policy "corrections" but is expected to address parliament on economic policy on February 18.

Meanwhile, Russian negotiators yesterday began a new round of talks with Belarus on the proposed currency union which has been the other main source of friction between conservatives and the radicals who have mostly left the government. After an outcry from the radicals who said an original plan to swap the Russian rouble for the Belarussian currency at one-for-one would hurt Russian economic interests, the exchange rate in subsequent drafts was adjusted to a more realistic rate of one-for-three.

Outstanding disagreements include Belarus' desire for subsidised energy from Russia.

Reuter

Turkish prime minister Tansu Çiller (left) and prime minister Benazir Bhutto of Pakistan being escorted across the tarmac at Sarajevo airport yesterday. They travelled to the war-torn Bosnian capital to show their support for the Moslem-led government

BHUTTO AND ÇILLER MAKE PEACE PLEA IN SARAJEVO

By Laura Silber in Belgrade

In an attempt to draw attention to the plight of Sarajevo, Mrs Tansu Çiller, the Turkish prime minister, and Mrs Benazir Bhutto, her Pakistani counterpart, yesterday visited the besieged Bosnian capital.

In a joint statement, they said: "It is shocking that this appalling human tragedy is being enacted in the heart of a continent which prides itself on its commitment to human rights and respect for human dignity."

Amid heavy security, the prime ministers, dressed in bullet-proof vests and military helmets, called on "the world community to halt the destruction of Bosnia-Hercegovina and the killing of civilians". Mrs Bhutto denounced the violation of the very principles that Europe claimed to represent, as well as of the United Nations charter which prohibits the violent change of borders. Their visit coincides with continued reports of increased military intervention by both Serbia and Croatia, which officially deny any role in Bosnia's violent partition.

Budget deficit soars in Turkey

Turkey's budget deficit last year was more than double the original target figure, according to official statistics, John Murray Brown reports from Istanbul.

It reached TL129,400bn (£4.9bn), against a target of TL53,000bn, equivalent to 9 per cent of gross national product. The public sector borrowing requirement is estimated to have been close to 17 per cent of GNP, compared with a 9 per cent forecast.

Ukraine vote

Ukraine's parliament is due to vote on the trilateral nuclear agreement today, writes Jill Barshay from Kiev.MPs have been called back to Kiev in the midst of election campaigning to discuss the pact under which Ukraine would relinquish its arsenal of more than 1,600 nuclear warheads.

Close finish

The latest poll for Sunday's Finnish presidential election shows defence minister Elisabeth Rehn on 50.5 per cent and opposition Social Democratic party candidate Martti Ahtisaari on 49.5 per cent.

Romania goes to extremes

By Virginia Marsh in Bucharest

Romania's ruling Party of Social Democracy said yesterday it had agreed on a coalition with the hardline Romanian National Unity party to include other extreme nationalist and former communist parties.

The left-wing PSDR, which formed a minority government after winning elections in September 1992, said it hoped to conclude negotiations for the new multi-party coalition by March 1.

Pro-reform opposition parties said the move would have a disastrous affect on Romania's image abroad and that economic reform would remain at a standstill.

The two parties said they aimed to include the Socialist Labour party, the self-proclaimed heir to the Romanian Communist party, and the Greater Romania party, an openly anti-Semitic group, in the new coalition in order to reach a parliamentary majority after a close-run no-confidence vote in December.

Brussels probes Treuhand aid to eastern refinery

By Lionel Barber in Brussels

The European Commission yesterday opened an investigation into a DM497.2m ($284m) state aid package granted to Leuna, the east German-based petrochemical manufacturer, by the Treuhand privatisation agency.

The inquiry is a further blow to plans to rebuild the Leuna refinery complex, based in Sachsen-Anhalt. Last week, Elf Aquitaine, the oil group and France's largest company, said it wanted to reduce its stake in Leuna from 65 per cent to 35 per cent.

The Commission said yesterday it was opening a preliminary inquiry on the grounds that the aid package amounted to subsidies for modernisation and operating costs, and could upset the market.

However, it agreed to allow continued financing of Leuna for six months in order to avoid the risk of bankruptcy. Leuna is undergoing an ambitious restructuring plan which has seen its workforce drop from more than 25,000 workers to 7,800 over 12 months.

The German authorities argued that the state aid package was vital for the future of an interlinked east German chemical industry, including a feedstock supplier and ethylene cracker for Leuna's downstream production.

But the Commission noted that no such plan had been presented to Brussels. It has invited all interested parties to present more detailed arguments before taking a final decision.

Meanwhile, it sanctioned a DM30m guarantee for clean-up funds.

Elf's plans to reduce its stake have drawn threats of penalties for breach of contract from the Treuhand.

The remaining stake is held by Thyssen Handelsunion, which, along with Elf, agreed to invest DM4.8bn to safeguard 1,000 jobs.

Poll alliance formed but tough deal on candidates lies ahead

Italian left clears first hurdle

By Robert Graham in Rome

Selecting candidates to contest Italy's general election next month is the main issue outstanding following agreement between eight left-wing groupings in forming a Progressive Alliance.

The agreement, reached late on Tuesday, lays down the broad principles of an electoral programme.

As such it has become the first formal alliance for the elections on March 27. However, it will be severely tested as the members of the group, dominated by the former communist Party of the Democratic Left (PDS), attempt to hammer out a deal on candidates.

Under the country's new electoral laws, 75 per cent of the seats in both houses of parliament will be elected using a first-past-the-post system. Proportional representation is retained for the rest. The majority voting system has put a premium on forming alliances, but these will come to nothing if there is no prior agreement on supporting individual candidates.

The Progressive Alliance is discussing a formula whereby each party or group will be allocated a quota of candidates entitled to the support of the alliance as a whole. These would be based on the performance of the party or group in the 1992 general elections, last year's municipal elections and opinion polls.

However, the principle of quotas cannot be reconciled easily with the need to find the best local candidates. The alliance also has to resolve how its members will vote for the seats awarded by proportional representation.

Apart from the PDS, Tuesday's agreement was signed by the Greens, Reconstructed Communism (the rump of the Italian Communist party who refused to renounce Marxist ideals), the Sicily-based clean government movement La Rete (The Network), the revamped Socialist party under Mr Ottaviano Del Turco, the Democratic Alliance that includes members of the reformist referendum movement, the Christian Socialists and a small left independent grouping.

The document agreed is a five-page summary of policy guidelines for a future government which are deliberately vague but promise to retain the broad lines of the outgoing government's economic policy. The privatisation programme will continue "where necessary".

● Italy's inflation in January was running at 4.2 per cent on an annualised basis, a marginal rise on the December rate and against the declining trend projected by the government for 1994.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

NEWS: THE AMERICAS

US housing surge as recovery grows

By Michael Prowse in Washington

The US housing market experienced near-boom conditions at the end of last year as the pace of US economic recovery gathered momentum, figures indicated yesterday.

The Commerce Department also reported a strong rise in the composite index of leading indicators in December, which points to further robust growth this year.

New home sales rose 11.4 per cent between November and December to a seasonally adjusted annual rate of 862,000, the highest rate since March 1986. Sales were 30 per cent higher than in the same period last year.

Most analysts were surprised by the strength of the housing market, which appeared to reflect consumers' desire to take advantage of the lowest mortgage rates in two decades. However, the figures are volatile on a monthly basis and could be heavily revised.

There were big differences in regional markets. The strongest sales gains occurred in the Midwest and the south. Sales fell on the west coast.

Abnormally cold weather and the Los Angeles earthquake last month may have caused a national setback for the housing market.

The index of leading indicators – designed to provide advance warning of economic conditions six to nine months ahead – rose by 0.7 per cent in December, its fifth consecutive monthly gain. The index rose 0.5 per cent in October and November.

Eight of 11 indicators contributed to the rise in the leading index.

The most important were increases in consumer confidence and commodity prices, and a fall in claims for unemployment insurance.

Analysts are now keenly awaiting payroll employment figures due out tomorrow. These will provide the first comprehensive guide to economic conditions in January. Most economists expect a solid gain of about 200,000 non-farm jobs.

The Labour Department is also revising the way it calculates the unemployment rate. The new series is expected to result in jobless rates about 0.5 percentage points above previously published figures. This suggests the January jobless rate could be 6.5-7 per cent on the new basis.

Tobacco company sues city for ban on smoking

By Louise Kehoe in San Francisco

Philip Morris, the tobacco group, has filed suit against the city of San Francisco to overturn a tough anti-smoking ordinance that went into effect this week.

The action is the first such legal challenge by the tobacco industry to local smoking restrictions, which are becoming widespread in California.

In San Francisco, smoking is now banned in almost all workplaces. Restaurants will become "smoke free" at the beginning of next year and at least 35 per cent of hotel rooms must now be "non-smoking". Smoking is also prohibited in outdoor sports arenas, including Candlestick Park, home of the 49ers football team.

San Francisco's anti-smoking rules are being matched in towns and cities throughout the state. "California is approaching smoking with a prohibitionistic fervour unlike any other state in the nation," said Mr Tom Lauria of the Tobacco Institute. Close to 100 communities now ban smoking entirely in restaurants, workplaces or both.

San Francisco bar and hotel owners who fear that restrictions may damage their businesses have joined Philip Morris in challenging the city's anti-smoking rules. Their lawsuit charges the city has overstepped its powers by enacting regulations that pre-empt state workplace safety laws.

"If every local government took it upon itself to issue varying workplace regulations," said Mr Jeffrey Tanenbaum, a San Francisco attorney representing the plaintiffs, "it would be impossible to do business in this nation."

Mr Steve Parrish, senior vice-president and general counsel for Philip Morris, said it "believes the common sense solution to this issue is to provide separate sections for smokers and non-smokers".

Caldera opts for middle road

Joseph Mann on economic plans of Venezuela's new president

Mr Rafael Caldera, a 78-year-old specialist in labour law, began his second term as president of Venezuela yesterday by underlining his rejection of both neo-liberal economic policies and their populist alternative.

Mr Caldera, who arrives in office with Venezuela facing a combination of deep economic, social and political problems, rejected the need for a "war economy" or a series of "dramatic economic adjustments". Instead, he said there would be a "dialogue for solidarity".

In a speech generally light on specific policy proposals, he said his government would send a package of bills to Congress calling for repeal (at least at the retail level) of a value added tax imposed last year; new levies, including a selective tax up to the wholesale level and a luxury tax; and reforms of existing income tax laws. It will also try to reduce income tax evasion estimated at about 70 per cent of potential revenue.

Mr Caldera said he would raise the minimum wage (now at the equivalent of $83 per month), and denied that his government was planning a large devaluation of the bolivar or the imposition of exchange controls.

Other priority initiatives included reforms of the constitution, stiff penalties for those guilty of causing bank failures, particularly stockholders and managers, new efforts to assist agriculture, improvements in public services and aid for slum dwellers. He outlined seven priority areas for the economy:

- A commitment to control inflation (which reached 46 per cent last year) over the short to medium-term;
- A policy of austerity in public spending to achieve fiscal equilibrium "without affecting the social area, to which I attribute priority", he said. There would be cuts in spending by the president's office and better co-ordination between fiscal and monetary authorities;
- An opening of the economy and promotion of competition "within a framework of (international) reciprocity;
- An economic stability programme that took into consideration the average Venezuelan family rather than macroeconomic indicators;
- Efforts to control waste and inefficiency in the public and private sectors;
- Continued privatisations, but ones in which workers would play a more important role;
- A new tax policy under which "those who earn more will pay more".

Reuter

Supporters of the new president celebrate in Caracas after his election victory last December

He called for a 'dialogue for solidarity' in a country beset with deep economic, social and political problems

Mr Caldera takes over with the economy in recession, persistently high inflation, a large fiscal deficit, and an estimated 43 per cent of the nation's 21m people live in "extreme poverty".

He has taken over a huge inefficient government bureaucracy, whose militant employees are expected to seek more money and which provides among the poorest health and education services in Latin America. The country's military has been in turmoil ever since rebellious officers led two unsuccessful coups attempts in 1992. Violent crime, often drugs related, remains a prime concern. His ability to deal with these issues is constrained by low prices for the country's main export, oil, and a financial system weakened by the recent failure of the country's second largest bank.

Yet Mr Caldera won the chief executive's job last December with only 30 per cent of the popular vote in elections where abstention reached a record 40 per cent.

He is viewed as Venezuela's last *caudillo*, a man who appeals to many as a strong and charismatic leader. This quality of leadership, combined with his experience, will be necessary if the president is to gain the support he will need from a congress divided into four blocks.

The two main parties that supported him in the presidential campaign, National Convergence and the socialist party MAS, together lack a majority in either the upper or lower house. He must therefore hammer together a working majority with the help of the Democratic Action party or Copei – the Christian Democrats – both of which are officially in the opposition.

This attempt will be complicated by Mr Caldera's break with Copei, which he helped found in the 1940s, last year during his sixth campaign for the presidency. Causa R, a militant leftist party that holds an important share of congressional seats, has given signs that it will be a critical opposition force and seems an unlikely ally for the new president.

During his presidential campaign, Mr Caldera focused on the injustice of unpopular free market reforms that began to be implemented in 1989, and said he would change them. Recently, however, members of the new government have signalled to businessmen that the new government will be in favour of private investment and will not return to heavy government intervention in the economy.

In spite of this, investors and businessmen remain worried about the presidents traditional commitment to labour and his self-confessed inexperience in economic affairs.

Dominican Republic debt accord

By Bernard Simon in Toronto and Stephen Fidler in London

Holders of the Dominican Republic's international bank debt will begin signing a debt restructuring agreement on February 14 in Toronto which will cut the country's bank debt in half. The pact, the first with the Dominican Republic since 1986, will cover about $1.1bn of debt. The bank group, chaired by Bank of Nova Scotia, includes Citibank, Chase Manhattan, Chemical Bank and Royal Bank of Canada.

The signature of all creditors is necessary before the agreement can be considered by the country's Congress.

Thirty-five per cent of the debt will be submitted for cash – at 25 cents for every dollar face value – and the rest exchanged for 30-year bonds at a discount of 35 per cent to the debt's face value. The discount bonds, paying interest at 13/16 of a point over Libor, will carry collateral guaranteeing repayment of principal and 12 months of interest.

Dávila admits 'error' in Chile's futures scandal

By David Pilling in Santiago

The man at the centre of the Chilean Codelco futures scandal, Mr Juan Pablo Dávila, has broken his silence, telling journalists he committed an error but not a criminal offence.

Mr Dávila, former chief futures operator of Codelco, Chile's state copper company, is alleged to have lost the company $200m in a four-month period from September 1993. "I don't believe that I have committed any crime," said Mr Dávila. "I made a mistake and I will assume all responsibility for that mistake."

Mr Dávila, who faces possible criminal charges, repeated his account that a computer inputting error set in train the cycle of events that led to unprecedented losses on the copper, gold and silver futures markets.

Codelco executives, until now insistent that Mr Dávila acted alone and without their knowledge, showed signs of breaking ranks.

Mr Fernando Molina, who represents President Patricio Aylwin on Codelco's board, said: "It is difficult to believe that one person could mount such an enormous operation – for $180m and 1m tonnes of copper – without anybody else finding out about it. He would have to be a genius."

The 20,000-strong Federation of Copper Workers reiterated its attack on Codelco's management, rejecting suggestions that it had sent its support to Codelco president, Mr Alejandro Noemi.

However, the federation sharply criticised statements which had been made by some politicians that the futures fiasco was further evidence of the need to privatise the state corporation.

Seoul moves to cool row with North

By John Burton in Seoul

South Korea should drop a confrontational approach in dealing with North Korea and give Pyongyang time to resolve the issue of nuclear inspections, the South Korean foreign minister said yesterday.

Mr Han Sung-joo's comments reflect growing concern in Seoul that diplomatic efforts to persuade North Korea to accept international nuclear inspections are in danger of being derailed.

The US has warned that if North Korea will not allow the International Atomic Energy Agency (IAEA) to inspect all its declared nuclear facilities by February 21, the UN Security Council might consider economic sanctions, a step that North Korea has said is tantamount to war.

North Korea on Monday also threatened to withdraw from the Nuclear Non-Proliferation Treaty (NPT) and protested against the proposed US deployment of Patriot missiles to South Korea.

Over the last week South Korean officials have sought to calm the war of words between Washington and Pyongyang.

Prime Minister Lee Hoe-chang insisted that recent developments did not signify growing tensions on the Korean peninsula or an increased threat from the North.

Although the Seoul government says it is co-operating closely with the US on the nuclear issue, Mr Han appeared to criticise the US deadline for acceptance of IAEA inspections.

"Even if North Korea earned time by the use of delaying tactics [in its negotiations with the IAEA], such time would not be of any help to North Korea's nuclear development programme," he said.

This reflects the view of most South Korean officials that the North is using the nuclear inspection issue to win concessions from the US, such as diplomatic recognition and economic aid.

But there is a growing feeling in Washington that North Korea is intent on developing a nuclear weapon, if it has not already done so, and that it is playing for time to complete its nuclear programme.

The issue could arouse anti-American feelings in South Korea, where the media are criticising "American hardliners" for trying to raise tension on the peninsula and thereby prompt Seoul to buy US weapons.

The IAEA is expected to state at its next board of governors meeting on February 21 that the continuity of nuclear safeguards in North Korea has been broken. This would set the stage for the Security Council to consider the issue.

North Korea has blocked full IAEA inspections since it threatened to withdraw from the NPT last March, although it suspended its decision after holding high-level negotiations with the US. Pyongyang agreed a month ago to allow a resumption of IAEA inspections to guarantee the continuity of safeguards. But it has since disagreed with the UN agency on the extent of the inspections, claiming it does not have to accept the complete inspections demanded by the agency as its NPT membership is still under suspension.

Some analysts believe the North is delaying full inspections until the US formally announces the suspension of military exercises in South Korea this year and agrees to hold another round of high-level talks on improved relations. But the US refuses to suspend the annual "Team Spirit" exercise and resume discussions with the North until Pyongyang accepts full inspections and renews talks with South Korea on denuclearisation.

The South Korean government yesterday introduced its third set of measures within three weeks to cool the Seoul bourse, writes John Burton. The general share index closed at 974, continuing a rapid climb towards its peak of 1,007, set on April 1 1989.

The latest measures will require institutional investors to buy Won1,000bn (£823m) worth of monetary stabilisation bonds in an attempt to divert funds from the liquidity-driven stock market. They have also reduced the ceiling on the amount of money individual investors can borrow from securities houses for stock investment.

Pakistani banks taken for a $500m ride

By Farhan Bokhari in Islamabad

Pakistani banks have clocked up a $500m (£333m) taxi bill, after the import of 50,000 cars created a financial nightmare.

These days, passengers leaving a main airport or train station can choose from scores of brand-new yellow cabs ranging from a small Suzuki to a Mercedes Benz. The yellow cabs – which replaced battered old makes, including many Morris Minors – are now at the centre of a political controversy.

As parliament began debating the issue this week, 13,000 more vehicles remained stranded at Karachi's seaport and at dealer outlets.

Unemployed youths who wanted to become taxi drivers were allowed to buy their vehicles on 10 per cent down-payment while paying back the rest in easy instalments. Banks were ordered to approve requests for loans on receipt of the deposit.

But in the first year of the plan, according to bankers, after cab owners had been given PRs15bn (£333m), up to 60 per cent of them began defaulting, and banks refused to sanction any new loans. The supreme court has ruled the government should resolve the issue of the stranded vehicles, but the government has no easy way out.

At the outset of the scheme two years ago, Mr Nawaz Sharif, then prime minister, considered the yellow cabs the most important symbol of his economic reforms.

"The prime minister feels that just as bright new cars have replaced older ones, new and fresh policies of deregulation and privatisation will eventually replace older ones of bureaucratic management," a senior official said at the time.

But because the scheme involved reducing import duties on the taxis, it worsened already strained finances, leaving the new government an even larger budget deficit.

"If I get another opportunity, I shall import half a million vehicles to help the poor," said a defiant Mr Sharif as he led an opposition attack in parliament alleging the government's decision to abandon the scheme was hurting the underprivileged and unemployed.

"The yellow cabs gave a sense of pride to their owners, because they now had their own cars. For the first time in this country, we really helped the poor."

Mr Makhdoom Shahabuddin, minister of state for finance, retorted: "When there is an inherent tendency in such a scheme for it to be hijacked by people who don't deserve it, then it's a problem."

Many expensive vehicles such as Mercedes, imported on loans for being used as taxis, were in fact in private use, he claimed. The government is investigating reports that many dealers took payments from clients before placing orders. Allegations of sales under fictitious names to make the cars untraceable are also being investigated.

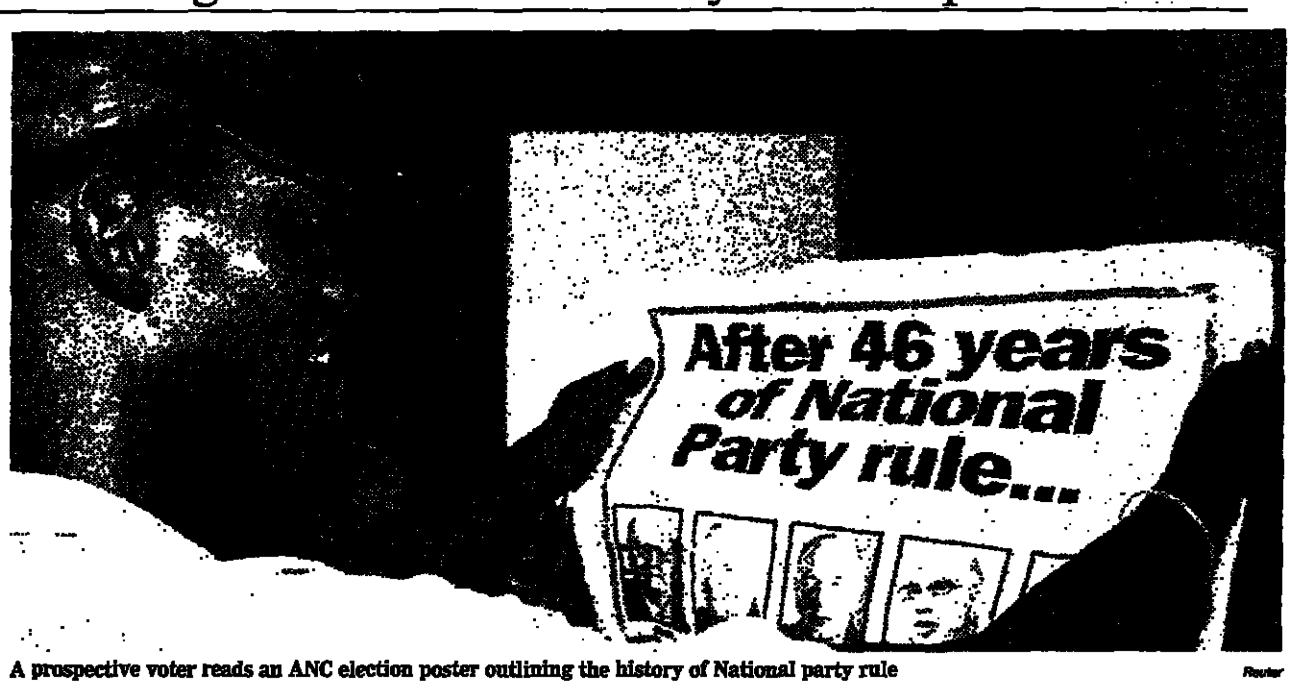
The stranded cars could be sold in the open market free of much of the usual import duty, under one proposal being considered.

But even so, Pakistan's financial sector may still be looking for stronger measures to support recovery of bank loans. "The cab issue shows that giving out loans is much easier than getting them back. This should be a lesson for us to tighten our belts if we want to prosper," one banker said.

African National Congress seeks to avert boycott of April's election

S African right may win poll changes

By Patti Waldmeir in Johannesburg



A prospective voter reads an ANC election poster outlining the history of National party rule

Reuter

The African National Congress, in a last-minute bid to avert a violent right-wing boycott of April's all-race elections, appears ready to make important concessions to the right-wing Freedom Alliance when constitutional talks resume later today.

The ANC's policy-making body, the national executive committee, met until late on Tuesday night trying to find a formula for constitutional changes which would entice the Freedom Alliance to participate in the poll.

The NEC is understood to have decided on a package of measures which include changes to the voting system to include separate national and regional ballots, rather than one ballot to elect representatives to both national and regional assemblies. This is an important concession to the Inkatha Freedom party, which would have been prejudiced by the one-ballot system.

However, it is unclear whether other elements of the package – especially provisions for the autonomy of regional governments – will meet Inkatha's demands. ANC officials said the organisation had improved its offer in this area, and that further changes could be made.

The Tuesday meeting appears to mark a significant shift in the position of the ANC, which has so far failed to demonstrate the political will to accommodate Inkatha. It is uncertain whether this will carry the two sides over the main hurdle which separates them – the gulf between the strong central state which the ANC wants and the federal system which Inkatha demands.

ANC officials said a strong central state could not be compromised, adding that talks could drag on for a further 10 days until the expiry of the last legal deadline for political parties to register for elections. This deadline was set last night when President F.W. de Klerk proclaimed the date of the first all-race elections.

ANC's mines policy 'potentially harmful'

By Matthew Curtin in Johannesburg

The South African mining industry yesterday criticised mining policy proposals put forward last month by the African National Congress.

Mr Nick Segal, economics spokesman for the chamber, said that although it would be wrong to suggest the ANC's draft mining policy was "entirely flawed", it included elements "potentially highly injurious to the industry" and its role as the country's leading employer and foreign-exchange earner.

Mr Segal said the chamber was concerned at the level of proposed state intervention in the sector and the implication that mining companies were not taking advantage of lucrative commercial opportunities by neglecting to develop mineral rights they owned. He was "unaware of any company which is simply sitting on potentially profitable mineral rights".

Meanwhile, the ANC is trying to bolster local and international investor sentiment damaged by fears of nationalisation and state intervention in minerals marketing. Mr Paul Jourdan, co-ordinator of ANC mineral and energy policy, told a 20-strong delegation from J.P. Morgan and Morgan Stanley, the US investment banks, that nationalisation of mining companies or mineral rights was not under consideration.

The organisation has redrafted its mining policy statement, emphasising the importance of wide consultation with the industry, and is understood to be considering hiring public relations consultants to improve the presentation of its economic policies.

"We have learnt that it is as important to say what you don't mean as what you do mean. Our aim is to present South Africa Inc to attract foreign investment to the country," Mr Jourdan said.

The Chamber of Mines and the ANC have set up a framework for further negotiations.

'Jericho accord may take weeks'

By Julian Ozanne in Jerusalem

It could still take "weeks" to reach agreement with the Palestinian Liberation Organisation on implementing self-rule in the Gaza Strip and West Bank area of Jericho, Mr Yitzhak Rabin, Israeli prime minister, said yesterday.

His comments came after several other Israeli ministers involved in the peace process sought to cool hopes that a final agreement could be initialled between Mr Shimon Peres, foreign minister, and Mr Yassir Arafat, PLO chairman, in Cairo next Monday.

Mr Rabin's pessimism follows excitement raised at the weekend when Mr Peres and Mr Arafat drafted understandings on the main outstanding issues.

Israeli officials say Mr Rabin has taken a more cautious attitude than his foreign minister and is concerned about the concessions Mr Peres offered the PLO on control of border crossings.

Mr Rabin is determined the final agreement will be comprehensive and include all remaining obstacles, including the new Israeli-Palestinian economic arrangements and the division of authority between the Palestinian police force and Israeli security.

"People are not aware of the complexity and I don't want to start to implement before overall agreement is reached and signed," Mr Rabin said.

Yesterday, in the first serious Palestinian attack for weeks, Islamic gunmen wounded three Israelis near the West Bank town of Hebron. In the Gaza Strip, the bodies of five Palestinians killed by Arab gunmen as suspected collaborators with Israel were left on the streets.

Meanwhile, the Israeli right-wing opposition to the peace process continued to splinter as three parliamentarians from the ultra-right wing Tsomet party said they had quit and formed a new faction. The three accused the Tsomet leader Mr Rafael Eitan of authoritarianism. Mr Nissim Zvilli, secretary-general of Mr Rabin's Labour party, invited them to join the fragile coalition government.

Mobutu dismisses bank chief

President Mobutu Sese Seko of Zaire has sacked the governor of the country's central bank following the failure of monetary reform launched last year, according to Zaire television, Reuter reports from Kinshasa.

The central African country, crippled by a political stand-off between Mr Mobutu and his opponents, launched a disastrous currency reform last October, converting 3m old zaires for one new one.

The new zaire's parity against hard currency was set at three to a dollar, but by late January the parallel market rate had plunged to 130 to a dollar.

Some regions loyal to the president's main political adversary, Mr Etienne Tshisekedi, have refused to use the new currency.

The World Bank, the last big source of foreign aid for Zaire, is closing its office in the bankrupt country, which faces expulsion from the International Monetary Fund.

● Troops in Zaire have executed thousands of people for opposing Mr Mobutu's 29-year dictatorship, Amnesty International claimed yesterday.

The human rights group said there were fears the country – suffering ethnic conflicts in the north-east and south-east – would break up if the rule of law was not re-established.

Four fight for OECD post

Germany put forward Mr Lorenz Schomerus, a senior Bonn economics ministry official, as a candidate for the post of secretary-general of the Organisation for Economic Co-operation and Development, writes Peter Norman, Economics Editor.

Other candidates for the OECD post are Lord Lawson, the former UK chancellor, Mr Donald Johnston, a former Canadian economics minister, and Mr Jean-Claude Paye, the incumbent.

UN reassessing role in Somalia

By Leslie Crawford in Nairobi

The UN Security Council is considering a radical contraction of its peacekeeping operation in Somalia (Unosom), after the departure of US forces in March, and a diminished role for the UN in brokering a political settlement among Somalia's fractious clans.

Mr Robert Oakley, the US special envoy to Somalia, said a draft resolution before the Security Council envisaged a role for UN troops stationed in Somalia restricted to monitoring voluntary disarmament. It was a tacit admission that the UN's coercive strategies had failed.

"The UN is correcting its course, and adopting a more realistic approach to dealing with Somalia's problems," he said yesterday in Nairobi. "The period of coercive disarmament is over."

In addition, a donors' conference held in the Kenyan capital agreed to work directly with Somalis in the reconstruction of their country – effectively sidelining the UN. Politically, too, Unosom has been told to avoid the flurry of contacts now taking place between Somalia's clans in various capitals of east Africa.

"Discussions between Somalis are like three-dimensional chess," Mr Oakley said. "They may be difficult for outsiders to understand, but it is my impression that a lot of work is being done, and that differences are being narrowed."

Gen Mohamed Farah Aideed and Mr Ali Mahdi, Mogadishu's two rival warlords, have yet to meet for face-to-face talks, but spokesmen for both sides say prospects for a political settlement are good.

Aid workers, however, fear Somalia will slide back into anarchy when the 4,000-strong US force departs, preceded by the Belgians and closely followed by the French, Italian and German contingents.

Many believe the peacekeeping operation will fall apart without the air defences, communications and logistics provided by the Americans.

Violence has returned. Bomb blasts rocked the town of Baidoa yesterday. Similar attacks over the past week hit the Christian charity World Vision and seriously wounded a Colombian aid worker. The charity said yesterday it was temporarily withdrawing its five expatriate workers. Food warehouses have been looted in Belet Weyne and aid workers have received death threats in the southern Jubba Valley, forcing their evacuation.

In Mogadishu, US troops killed three Somalis on Monday when a diplomatic convoy they were escorting came under fire. Admiral Jonathan Howe, in charge of the UN operation in Somalia, regretted the violent incidents, but insisted that most of the country was peaceful.

Japan prepares to enter space race

Japan plans to launch its first home-grown rocket today – an important step in its long-frustrated attempts to create a world-class aerospace industry, writes William Dawkins in Tokyo. The National Space Development Agency's H-2 rocket is designed to carry a two-tonne load, the world standard for the satellite industry.

The H-2 is two years behind schedule, after two explosions on the launch pad, in which an engineer died. At Y19bn (£113.8m) a launch it costs at least 50 per cent more than launches by Arianespace, the European space consortium, or General Dynamics of the US.

The Ministry of International Trade and Industry sees the project as vital to developing aerospace expertise and reducing Japan's heavy dependence on US aerospace technology.

Government officials stress the H-2 project has no covert military purpose and Japan will stick to its principles of not making, owning or allowing the import of nuclear weapons. They were responding to British and US speculation that North Korea's nuclear weapons programme might tempt Japan to abandon its own non-nuclear stance.

HK property prices undaunted by 1997

Simon Holberton on a new surge in values

Hong Kong is on the verge of overtaking Tokyo as the most expensive property market in the world, as a new surge in prices for land and buildings feeds through to rents.

In January alone property deals totalling more than HK$20bn (£1.7bn) were executed. This included two hotels on the Kowloon peninsula, at HK$2bn apiece, and a luxury housing development on Hong Kong island for HK$2.2bn.

The trend looks like continuing. On Tuesday, Wing On International, a retailer and financial services group, started February off with the sale of two of its centrally-located office towers to a private developer for HK$2.2bn.

It is all further evidence – if it were needed – that investors believe Hong Kong has a secure future after 1997. "One simply can't pay the prices being paid now if one had a short-term view," says Mr Michael Greene, property analyst at Warburg Securities.

Many of the properties that have been sold since the beginning of this year are for redevelopment. But even in Hong Kong it takes time to pull down one building and put up another. Developers are betting that Hong Kong will remain business-friendly after China resumes sovereignty.

The deals also point to continued upward pressure on office and housing rents. According to figures compiled by Brooke Hillier Parker, a property consultant, Hong Kong has the highest rents for retail space – at an average of HK$545 a sq ft – in the world and is second only to Tokyo in rents for office and industrial space.

Already big companies, such as Shell, the oil group, Apple, the computer company, and American Telephone and Telegraph have moved out of Hong Kong's central business district to Causeway Bay, beyond the old red-light district of Wan Chai to the east.

Office rentals rose on average 19 per cent last year and, with fresh supply of new offices some years off, rents are expected to rise for the next three years at least.

The same is true of the housing market, where prices have doubled and transactions have risen threefold in the past three years.

It is not limited to the so-called "high end" of the market – a house on Victoria Peak sold for HK$120m last month – but is also true of the market for family flats.

According to figures compiled by Morgan Stanley, the US securities house, transactions in the market for typical properties of between 600 sq ft and 800 sq ft rose to about 15,000 a month in 1991-93 from 5,000 a month between 1985 and 1990. Prices for flats rose to more than $HK2,500 a sq ft by the end of last year from $HK1,250 in 1990.

Mr Peter Churchouse, head of research at Morgan Stanley in Hong Kong, says property prices are supported by steeply negative real interest rates, an artificial market in land where the government controls the supply of new land allowed on to the market, and a powerful banking sector which through credit policy can influence prices and rents.

The colony's monetary authorities have kept Hong Kong's interest rates pegged to those of the US as part of the policy of linking the currency to the US dollar. Given Hong Kong's average inflation rate over the past year of about 10 per cent this has produced negative real interest rates of around 5 per cent – a strong spur to speculation.

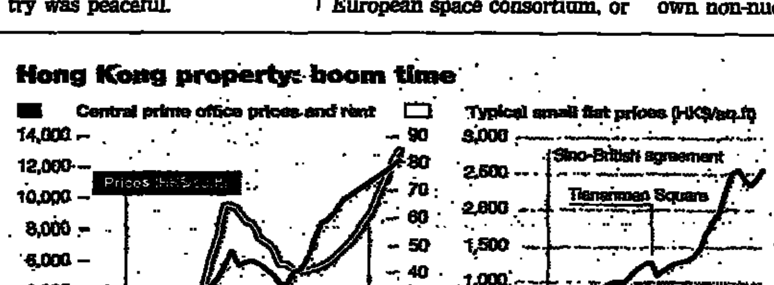
"Investors have a US dollar hedge and they are not paying for Hong Kong's inflation by holding a depreciating currency," Mr Churchouse says.

On credit policy, the Hongkong and Shanghai Bank and its affiliate Hang Seng Bank recently said they would limit mortgages for luxury flats to 50 per cent of the asking price.

Analysts say this may place a cap on luxury flat prices but rents will continue to rise because of the shortage.

Mr Churchouse points out that conditions today are different from those in 1980/81, when Hong Kong had its last big crash in property prices. At the time interest rates were at 17 per cent, the world was in recession and prime office rentals had risen by 90 per cent a year for three successive years.

Hong Kong property: boom time



Source: Morgan Stanley

International rents (HK$/sq.ft/month: 1 Nov 1993)

Offices		Shops		Industry	
Tokyo	86.0	Hong Kong	545	Tokyo	28.0
Hong Kong	62.0	Tokyo	232	Hong Kong	17.0
Berlin	38.0	New York	231	Singapore	11.5
Paris	37.0	Munich	189	Lisbon	10.5
Beijing	36.5	Geneva	181	Geneva	10.0
Geneva	36.0	Seoul	177	London	10.0
Frankfurt	34.0	London	170	Paris	8.5
Singapore	34.0	Berlin	167	Zurich	8.3
London	31.0	San Francisco	167	Bristol	8.3
Shanghai	30.0	Paris	165	Berlin	7.4

Source: Brooke Hillier Parker

Australia payments deficit up

Australia's run of good economic news was reversed yesterday with the publication of December balance of payments figures showing a seasonally-adjusted current account deficit of A$1.765bn (£830m), above market expectations, which had ranged around the A$1.3bn mark, writes Nikki Tait in Sydney.

It also represented a sharp deterioration from the revised November deficit figure of A$1.194bn.

The news, which initially sent the Australian dollar plunging, came less than 24 hours after Mr Ralph Willis, federal treasurer, released some sharply upgraded forecasts, saying economic prospects were "the best for 30 years". But by the end of the day, the currency and bond markets had recouped most of their losses.

On Tuesday, Mr Willis revised the current account deficit estimate for 1993/4 downwards from A$18bn to A$17bn. Some economists fear faster growth in Australia will bring balance of payments problems next year.

The December data showed the balance of trade moved from a surplus of A$169m in November to a deficit of A$505m last month, on a seasonally-adjusted basis. Merchandise exports fell by 7 per cent, while imports rose by 6 per cent.

Japanese resist US trade talks pressure

By Michiyo Nakamoto in Tokyo

A last-ditch effort by the US to steer its trade talks with Japan towards agreement appeared to meet stiff resistance yesterday from leading Japanese politicians.

Meetings between Mr Mickey Kantor, US trade representative, and Mr Tsutomu Hata, Japan's foreign minister, and later with Mr Hiroshi Kumagai, trade minister, failed to make a breakthrough. The bilateral trade and economic framework talks are deadlocked because of opposing views on how to increase access to Japan's markets.

Mr Kantor is in Tokyo with Mr W. Bowman Cutter, deputy presidential assistant for economic policy, on a special mission to try to push the talks forward ahead of a US-Japan summit due next week.

The meetings, which both lasted for nearly two hours, were described as "tough" by Japanese officials. The discussion with Mr Hata focused on the entire framework agreement, and a great part of that with Mr Kumagai was taken up with one of the most contentious issues – trade in motor vehicles and parts.

Although Mr Kantor did not use the word "sanctions", according to Japanese media reports, he suggested that failure to conclude the agreement would affect relations badly.

The Japanese are understood to have stood firmly behind the official position that the use of numerical targets to boost imports, which the US has been insisting on, would lead to managed trade and was therefore unacceptable.

Nevertheless, it was also reported that Mr Kumagai hastily arranged meetings with the heads of Toyota and Nissan, suggesting that as on many occasions in the past, the trade ministry could be orchestrating some kind of "voluntary" effort by the Japanese car industry in order to appease the US.

Reuter

Tsutomu Hata and Mickey Kantor meet before yesterday's talks

Ryanair to lease and buy 737s

By Tim Coone in Dublin

Ryanair, the independent Irish airline, is planning to open new routes out of Ireland to the UK and increase capacity on existing routes through the replacement of its fleet of eight BAC-111 aircraft with advanced Boeing 737s in a lease-purchase deal with Boeing worth \$40m (£26.6m).

Ryanair expects to have six refurbished 737-200s in service by the end of April, increasing capacity on existing routes by 30 per cent. At the end of the six-year leasing period ownership of the aircraft will pass to Ryanair. More 737s will be acquired according to market conditions.

Canada goes in search of its Nafta cousins

Bernard Simon on a flurry of getting-to-know-you exercises with trade deal partner Mexico

The Mexican navy broke with tradition last month. The newest house in its officers' compound in Mexico City is not the usual locally-made, cement-block structure, but is built around a wood-and-polystyrene frame imported from Canada.

Nascor, a Calgary-based homebuilder whose biggest shareholder is MacMillan Bloedel, the big west coast forestry group, hopes the prototype model built for the navy marks the start of a stream of orders from Mexico. Wooden houses, the Canadian company claims, are not only quicker to put up than cement ones, but also more resistant to earthquakes and hurricanes.

Nascor is one of dozens of Canadian companies drawn to Mexico by a flurry of getting-to-know-you activity which accompanied the talks leading up to the North American free trade agreement, implemented on January 1.

The three Nafta partners, the US, Canada and Mexico, are often likened to a sandwich, with two thin slices separated by a giant filling. The US is both Canada's and Mexico's biggest trading and investment partner. But the two junior partners have in the past had little in common. Two-way shipments between Canada and Mexico totalled only C\$3.6bn (£1.8bn) in 1992, less than 2 per cent of US-Canada trade.

The tangible impact of Nafta – such as the gradual elimination of customs tariffs and relaxed investment rules – has yet to be felt.

But the mere prospect of liberalisation has been enough for Canadians and Mexicans to forge a multitude of new links.

SHL Systemhouse, an Ottawa-based computer systems company which already has several contracts in Mexico, last month became the first Canadian company to hold a board meeting in Mexico City.

Among the mushrooming areas of official co-operation, Mexican officials have visited the bureau of competition policy in Ottawa to improve their skills in reviewing mergers and takeovers. At least five Canadian ministers will be in Mexico City later this month for the annual cabinet-level review of bilateral relations.

Evidence abounds of a spurt in trade and investment flows. According to Statistics Canada, Mexico's exports to Canada grew by 23 per cent in the first ten months of last year to C\$2.86bn. The biggest increases were in shipments of motor vehicles (Mexico's biggest single export to Canada) and furniture.

Mexican investment in Canada remains minuscule. One of the few examples is Targa, a Mexico City construction group, which joined a group of Quebec entrepreneurs a year ago to rescue Artopex, a Montreal-based office-furniture maker whose products Targa distributes in Latin America. The partners have subsequently sold Artopex, but have kept the land on which its factory is located. They are also examining at least three construction joint ventures in Mexico and El Salvador.

Investment flows have been stronger in the opposite direction. Bank of Nova Scotia two years ago bought a small stake in Inverlat, one of Mexico's largest financial service groups.

Mr Paul Friser-Frederiksen, who is in charge of Royal Bank of Canada's Mexican business, identifies 10 key areas of opportunity for Canadian business: agri-business, transport, petroleum, telecommunications, environmental services, mining equipment and services, industrial machinery, consumer products, financial services, and computer systems.

Canadian businessmen suggest that simply not being American often gives them an edge against US competitors. In particular, Canadians are more accustomed to working in a second language, which may explain why a high proportion of trade and investment deals between the two countries involve Quebec companies. Québecois also make up more than half the Canadian tourists to Mexico.

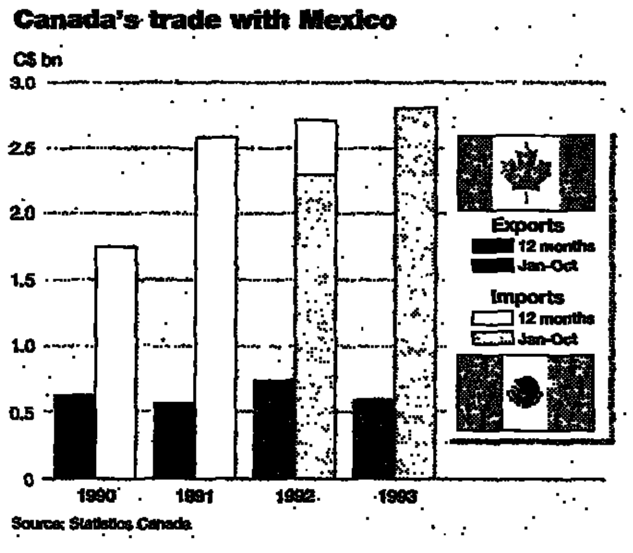
Ms Sandra Fuentes, Mexico's energetic ambassador in Ottawa, says she is trying to encourage Canadian companies to participate in ventures in Mexico which can employ the 5,000-6,000 seasonal labourers who work on Canadian fruit and vegetable farms each summer. She cites a Quebec-based company which has invested in a Mexican cucumber-processing plant.

The relationship is not entirely smooth, however. Ms Fuentes makes no secret of her frustration with Canadian non-governmental groups, which have complained loudly about Mexican human rights policies in the wake of the recent peasant uprising in Chiapas. Canadian aboriginal groups were quick to take up the cause of the Mexican rebels.

Canadian officials, for their part, express doubts about the ability of the Mexican legal and administrative structure to adapt to the disciplines of a comprehensive trade agreement with two of the world's most developed countries.

A guide to business in Mexico, published by Royal Bank and the department of foreign affairs, recently cautioned that "people like to name drop, and can promise you the world while they are leading you down the garden path. There are people who deliver on their promises, but always check, double check and triple check".

Canada's trade with Mexico



Source: Statistics Canada

NEWS IN BRIEF

Lebanon agrees £250m deal to upgrade phones

The Lebanese government has awarded a \$380m (£253.3m) contract to Alcatel, Siemens and Ericsson, the French, German and Swedish telecommunications companies, to rehabilitate and expand the country's shattered telephone network, Mark Nicholson writes from Cairo.

The contract is the biggest so far awarded towards the reconstruction of Lebanon's infrastructure since the end of the civil war, which left much of the telephone system barely operable. Fewer than half the country's 500,000 lines work, and businesses and private users have been forced to resort to cellular phones, many using US networks.

Lebanon's present telephone system is an increasing hindrance to the economy, with many "difficult numbers" from one part of town to another often proving impossible to dial, while international direct-dial lines are scarce even from the main hotels.

Ares-Serono in site transfer

AresSerono, the fourth largest Swiss pharmaceuticals company, is to transfer the manufacture of diagnostic products from its Swiss base at Coinsins in the canton of Vaud, to sites in Rome, Italy, and Allentown, Pennsylvania, US, Daniel Green reports from London.

The closure of the Swiss plant is the latest stage in the restructuring of the European healthcare industry as it struggles to reduce costs in the face of government healthcare spending cuts. The company said the move was a cost-cutting measure and that it was part of a stronger emphasis on drug development at the expense of diagnostic technology. It plans to launch six new drugs over the next few years.

In the first nine months of last year, diagnostics products accounted for \$67.3m (£44.8m) out of total sales of \$548.3m. The remainder was accounted for by drugs. The transfer of manufacturing abroad would take around 18 months.

French employers back WTO

France's Patronat employers' federation said yesterday it would watch closely to see if the Uruguay Round agreement for a new World Trade Organisation fulfilled the "great hopes" for this body, David Buchan writes from Paris.

France championed the WTO in the Uruguay Round negotiations as a means of reining in the US tendency to retaliate unilaterally against what Washington deemed unfair trade practices. Mr Francois de Laage de Meux, head of the Patronat's international committee, said he did not expect the US to abandon entirely the unilateral provisions of Section 301 in its trade laws. This, he said, would not matter, provided – once the WTO came into force – the US only used its 301 weapon against non-Gatt countries in non-Gatt trade areas.

Resurgence in Finnish exports

Finnish exports to Russia, which crashed following the collapse of the Soviet Union, doubled last year as a surge in transit trade helped what officials in Helsinki hope will be the gradual rehabilitation of a trade relationship that was previously a mainstay of Finland's economy, Hugh Carnegy reports from Helsinki.

Figures published showed a 100 per cent increase in exports to Russia to FM6.04bn (£700m) in 1993. Exports to Estonia were also up almost 110 per cent to FM1.9bn, helping to push up the share of Finnish exports bought by former Soviet territories to 6.2 per cent of the total, compared to a low of 4.3 per cent in 1992.

Attempt to limit damage over Adams trip

By Kevin Brown and Ivor Owen

The British government yesterday launched a concerted attempt to paper over deep cracks in the Anglo-American relationship after the visit to New York by Mr Gerry Adams.

At the same time, officials were desperately trying to limit the damage to British interests caused by Mr Adams's almost unchallenged 48-hour access to the US media.

However, the government was unable to conceal its dismay at President Bill Clinton's decision to issue a visa for Mr Adams, the leader of Sinn Féin, the IRA's political wing.

Publicly, Downing Street put a brave face on the affair. A senior official said the UK-US relationship was "alive and well and extremely vigorous".

In private, ministers and senior officials were bitterly disappointed at Mr Clinton's decision to overrule his most senior advisers. One senior minister said the president seemed to have put UK-US relations and the future of the Northern Ireland peace initiative at risk to placate the Irish lobby in the US.

The government was also upset by the largely sympathetic coverage given to Mr Adams by the US media, and the lack of interest in balancing comments from Mr Douglas Hurd, foreign secretary.

A Downing Street official said Mr Hurd was "pushed off the networks by programmers who decided that Gerry Adams is more interesting".

The bitterness in London was not eased by a broad hint from Mr Raymond Seitz, US ambassador to London, that he advised Mr Clinton not to allow Mr Adams into the US. Mr Seitz did not dispute a suggestion that he argued against giving Mr Adams the chance to capture US media attention.

Mr Seitz was called to Downing Street for talks on Tuesday as part of a drive to persuade Mr Clinton to distance himself from Sinn Féin.

The British position was also put to Mr Al Gore, US vice-president, by Mr Douglas Hurd, foreign secretary, and Sir Robin Renwick, British ambassador to Washington.

Downing Street said the flurry of diplomatic activity had borne fruit in Mr Clinton's Tuesday statement which supported the British-Irish joint declaration on Northern Ireland and abandoned the idea of a US "peace envoy" to the province.

Officials vehemently denied suggestions that Britain lost the propaganda war in the US because it was caught unprepared by Mr Clinton's decision to grant a visa to Mr Adams.

"Given Adams's novelty value to the US media I doubt that anybody on the other side of the argument would have been able to achieve the same kind of attention," an official said.

Downing Street also sought to draw US attention to the conflict between Mr Adams's statements and the actions of the republican movement.

British Coal set to close last north-east pit

By Michael Smith

British Coal is likely today to set in motion the closure of its last working colliery in the north-east of England, once considered the heart of the industry.

The move will shock the workforce which was confident the pit's future was secure after it recently won lucrative contracts to supply the nearby Alcan aluminium smelter.

Regional executives are expected today to tell union leaders representing more than 1,000 workers at Ellington colliery, Northumberland, that they want to hold a review meeting soon.

This could mean severe rationalisation but is more likely to lead to closure within the next few weeks.

As part of its pre-privatisation rationalisation, British Coal yesterday signalled the closure of its Manton pit in Nottinghamshire by calling a meeting to review its future. Other Nottinghamshire pits will be told their fate today.

The north-east will react angrily to today's developments at Ellington. In the mining industry's heyday at the turn of the century, the region boasted hundreds of pits.

For more than a century it has been host to the Durham Miners' Gala, the most celebrated of the industry's annual gatherings.

The expression "sending coals to Newcastle" originates from the unlikelihood that the region with such plentiful supplies of the mineral would want to import it.

Although supplies remain plentiful, there is difficulty in getting them out at competitive prices.

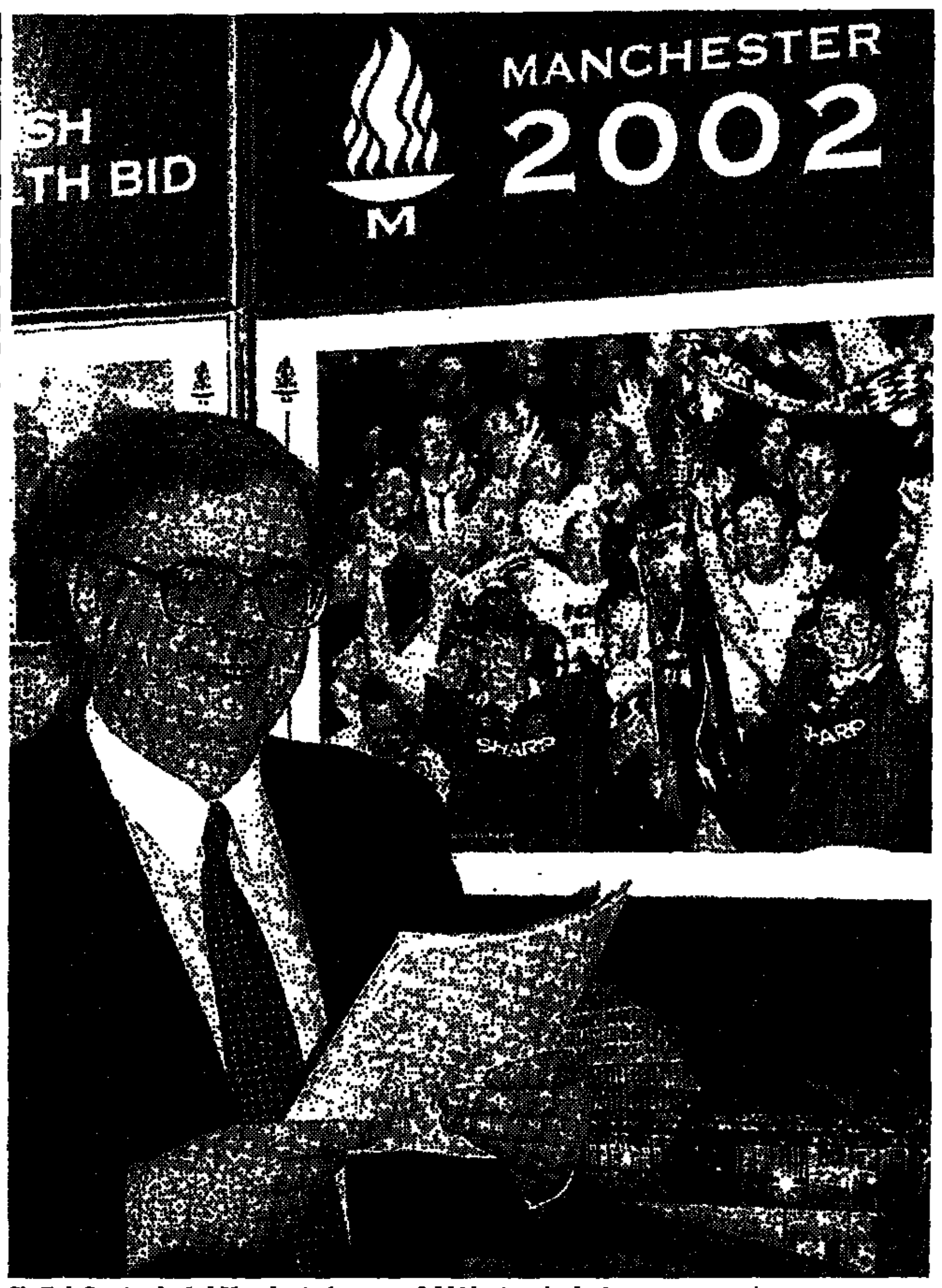
British Coal recently told regional representatives, including MPs and council leaders, that it had encountered severe geological problems at the pit. Seams were thin and the pit had lost £6m in the previous nine months, it said.

Mr Jack Thompson, MP for Wansbeck constituency and a former worker at the pit, said he said he was not optimistic about today's meeting, but he hoped the private sector would show interest in the pit.

Most employees at the pit had believed its short-term future was secure as a result of recently secured contracts to supply the Alcan smelter.

Alcan last week announced it had joined forces with Ryan, the mining group, to consider a bid to buy British Coal's operations in the north-east region, including Ellington and open cast mines.

British Coal has said it will keep all pits it closes in a state where they can be re-opened by private operators. Ellington is still likely to be offered in the north-east regional package, which forms one of five companies to be sold by the government in the forthcoming privatisation.



Sir Bob Scott, who led Manchester's successful bid, at yesterday's announcement Picture: Press Association

Manchester is England's choice to host games

The city of Manchester is England's nomination to host the 2002 Commonwealth Games.

The city, which has been twice rejected in its attempts to host the Olympics, beat London by 17 votes to seven after making their final presentation yesterday to the Commonwealth Games Council for England.

The decision came after the surprise 11th-hour withdrawal from the bidding of the third contender Sheffield – widely seen as the outsider.

Manchester's bid was the most expensive of the three English contenders and centred on the proposal that, win or lose, it would build a £187m, 65,000-seat national stadium.

Announcing the result Mr Norman Sarsfield, council chairman, said: "The council were impressed by the very high quality of the bids that were made."

Sir Bob Scott, leader of the Manchester bid, said: "I believe it will be a vintage Commonwealth Games – the golden jubilee games – and we are determined to host them."

The General Assembly of the Commonwealth Games Federation will choose the 2002 host in November 1995. No other countries have yet submitted bids, but Adelaide, Australia, which lost to Kuala Lumpur, Malaysia, for the right to host the 1998 Games, has expressed an interest.

Citiec have until May 1995 to enter the race.

Britain in brief

Exporters are overpaid by ECGD

The Export Credits Guarantee Department, the UK export credit insurance agency, has overpaid exporters by £83m since 1975, a report by the National Audit Office shows.

News of the report emerged in a written reply to a parliamentary question by Mr Michael Heseltine, trade and industry secretary.

Mr Heseltine said the government did not intend to recover these overpayments "given the complexity of this issue and the difficulty and cost of establishing the case".

The overpayments, which were discovered during a review of the department's information technology systems, were due to the different treatment of supplier credit insurance policies – which insure UK exporters against non-payment by overseas purchasers – by the ECGD's London and Cardiff offices.

MPs to quiz Hurd over dam

Mr Douglas Hurd, the foreign secretary, is to be called before a cross-party committee of MPs to explain the UK government's decision to give aid to Malaysia's Pergau Dam project in the late 1980s.

Members of the Commons foreign affairs committee yesterday agreed to summon Mr Hurd and Baroness Chalker, the minister for Overseas Development, to answer questions on the government's decision to give £234m to the Malaysian government in in 1988 for the construction of a dam on the Pergau river.

The committee has asked several departments to draw up a "comprehensive memorandum" outlining details of the dam project, which was recently described by Whitehall accountants as a "very bad buy"."

The committee has also drawn up a list of questions to be answered by officials. One of these is whether the offer of aid was linked to the sale of £1bn of defence equipment to the Malaysian government at about the same time.

Milk market faces scrutiny

Arrangements for selling milk in the new free market which is due to start on November 1 could still be scrutinised by the competition authorities even after they have received government approval, Mr Richard Packer, permanent secretary at the Ministry of Agriculture, said yesterday.

Mr Packer said Milk Marque, the farmers' co-operative, to be formed when the Milk Marketing Board is abolished will remain in a dominant position in the £3.3bn market in England and Wales.

"Any abuse of that position could certainly be subject to investigation by Brussels or UK authorities such as the Office of Fair Trading," he told the agriculture committee.

Warning over benzene levels

Rising traffic levels are threatening to cause harmful levels of benzene in the air, a government panel of scientists warned yesterday.

Fitting catalytic converters to more cars and improving public transport would help tackle the problem, scientists said.

The report by the Expert Panel on Air Quality Standards, which was set up two years ago as one of the commitments in the government's 1990 white paper on the environment, recommends that levels of benzene in the air should not exceed 5 parts per billion (ppb), calculated as a running annual average. It also recommends that the standard eventually be reduced to 1 ppb and that the government set a target date for achieving this.

Professor Anthony Seaton of Aberdeen University, chairman of the panel, said that the 5ppb standard "would broadly be able to be met at present" but 1pbb would be more difficult.

Mr Robert Atkins, environment minister, said that the government would soon publish a public consultation paper discussions how the standards should be applied.

Chevron to cut N Sea staff

Chevron UK is to reduce its workforce in the North Sea Ninian oil field by 25 per cent as part of a wide-ranging reform of offshore manning levels and working practices. About 60 Chevron workers will be made redundant or retired, the company said.

The present shift pattern of 14 days on and 14 days off will be changed to a 21 days on 21 days off system, a move which will save £1m out of Ninian's total estimated operating expenses for 1994 of £85m.

The company said that the changes have been under consideration for some time, but the 20 per cent fall in oil prices over the past year has caused North Sea operators to seek additional savings.

The Rt Rev Michael Turnbull, Bishop of Rochester (above), was yesterday named as the successor to the Bishop of Durham. He will take over the post when the controversial Rt Rev David Jenkins retires on July 6 after 10 years in office.

Visitors spend record £8.4bn

Spending by overseas visitors to the UK increased 15 per cent to a record £8.4bn in the first 11 months of last year, the British Tourist Authority said yesterday. The figure compares with the £7.9bn spent in the whole of 1992. The number of visitors in the first 11 months of 1993 increased by 5 per cent to 17.9m, also a record.

Crunch time for contraband

Customs officers will today destroy more than 20,000 bottles of contraband beer seized from cross-Channel smugglers.

Customs' seizures have increased rapidly since the opening last year of the European single market.

The beer will be drained off and treated and the bottles crushed before recycling. Customs said that the operation will take place at a secret location to stop people turning up and trying to salvage items.

Thorp delays hit profits at BNF

By Michael Smith

Delays in the commissioning of the Thorp reprocessing plant helped depress the 1992-93 profits of state-owned British Nuclear Fuels to less than half their previous year's level.

BNF yesterday reported profits of £76m for the year to March 31 1993, against £161m for the previous year. Turnover was marginally down at £1.05bn from £1.08bn. The results were at the lower end of analysts' expectations. The dividend to the government was halved to £26m.

Mr John Guinness, chairman, said he expected profitability in 1993-94 to be similar to that of last year. He said the Thorp effect last year was £18m but this year it would be about £90m.

Yesterday's results, and the accompanying annual report, were prepared on the assumption that the government will agree to underwrite at least some of the unexpected costs which may arise in contracts worth about £19bn with Nuclear Electric and Scottish Nuclear. The government rejected previous underwriting arrangements. Ernst & Young, auditor to the accounts, said the company considered underwriting to be a prerequisite to the completion of the contracts.

Greenpeace, the environmental group, said it was considering a challenge to the accounts on the basis that the government may not agree to the underwriting. The Department of Trade and Industry said it was considering the revised underwriting arrangements.

BNF said that there were several reasons apart from Thorp for the 1992-93 profits fall. Profits had been depressed by £30m as a result of the nine-week shutdown in 1992 of Magnox reprocessing at Sellafield, Cumbria, the company's biggest cash-producing operation.

A further £40m depressant was an advance writedown of costs associated with the merger of BNF's enrichment assets at Capenhurst, Chester, into a company, Urenco, which it operates with Dutch and German partners.

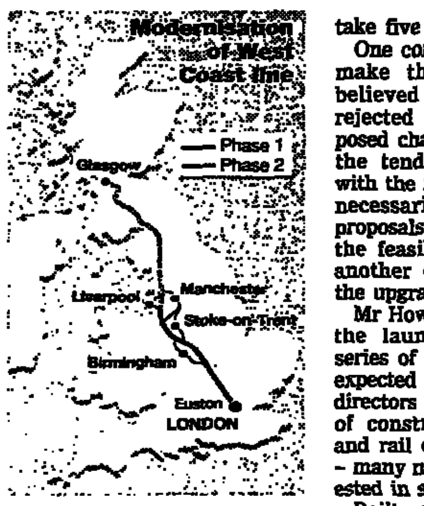
Six groups shortlisted for rail modernisation study

By Charles Batchelor, Transport Correspondent

Six groups of companies have been shortlisted to carry out a feasibility study for the £500m modernisation of the main west coast railway line, Railtrack, the company which will manage British Rail's track, announced yesterday.

More than 40 companies bid to carry out the study into improvements to the 480-mile line linking London with Birmingham, Manchester, Liverpool and Glasgow, including re-signalling and straightening the route, Mr Gil Howarth, Railtrack's director of major projects said.

Railtrack did not name the shortlisted companies but they are understood to include consortia comprising Sir Alexander Gibb, an engineering consultancy, with Brown & Root, engineering and construction; Eurorail, a consortium of Trafalgar House, a construction and engineering group, BICC, communications and cabling, and GEC, electrical systems; Kennedy & Donkin, an engineering consultancy with Laing, a construction company, and Ansoldo Trasporti an Italian engineering company; and ABB, the Swiss-Swedish electrical engineering group with Amec, a construction company.



Railtrack expects to award the feasibility study contract by early April for completion within nine months. It will then hold a tender for a contractor to carry out the upgrading work, which is expected to take five years in two phases.

One company which did not make the shortlist said it believed its bid had been rejected because it had proposed changes to the terms of the tender. It was unhappy with the fact that it would not necessarily benefit from its proposals for improvements in the feasibility study because another company might win the upgrading contract.

Mr Howarth was speaking at the launch of a week-long series of roadshows which are expected to attract up to 1,500 directors and senior managers of construction, engineering and rail equipment companies – many non-UK groups – interested in supplying Railtrack.

Railtrack will have £500m to spend on improvement schemes this year rising to £600m next year and £750m in 1996-97. In addition passenger transport executives and local authorities will contribute an additional £50m-£100m a year to local rail improvements.

Railtrack expects to carry out about 5,000 projects a year of which 200 will be worth at least £500,000 each and at least 50 will be worth £5m or more.

MacGregor says US is holding up air routes deal

US authorities are holding up plans to give UK passengers a better deal on transatlantic flights, a British government minister said last night.

Mr John MacGregor, the transport secretary, told the House of Commons transport committee that Britain wants to offer US airlines complete freedom to fly into UK regional airports.

In return, UK airlines would have rights to fly to more destinations in the US in a deal offering passengers more choice and possibly lower fares.

But Mr MacGregor said the Americans were "concentrating entirely on access to Heathrow" and that talks had ended with no definite date for their resumption.

Mr MacGregor told MPs that liberalisation of transatlantic air services would give people a chance to fly "to new destinations with greater frequency of service and the prospect of more competition and even keener prices".

Britain had offered an immediate lifting of all restrictions on services to all airports in the UK except Heathrow and Gatwick.

"I very much regret that we have not had a positive response from the US to these proposals. Nor indeed have they been able to agree a date for talks to resume," he added.

The minister said efforts to restart talks were continuing and he was ready to go to Washington at any time.

Sorting out a new transatlantic deal is particularly important to British Airways which is seeking a permanent link-up with American carrier USAir.

Granting temporary approval last March to BA's partnership plans with USAir, US transportation secretary Mr Federico Pena said London and Washington should renegotiate their aviation treaty to allow US airlines greater access to British airports.

Mr Richard Branson's Virgin Atlantic is also awaiting news of any changes.

British retailers 'vulnerable to cross-border competition'

By Guy de Jonquières, Consumer Industries Editor

British retailers appear more vulnerable than many European counterparts to the growth of cross-border competition in the industry and may be less well-placed to expand into Continental markets, according to a study.

A Europe-wide survey of retailers' financial performance by the Oxford Institute of Retail Management finds that although British retailers generate exceptionally high sales and profits from their shelf space, they are much less efficient in their use of assets and labour.

"One possible conclusion is that UK profit margins are good ('easy') but the ability of UK retailers to work their assets is well below that displayed by other European companies," the institute says. "Questions might be posed as to how well equipped UK companies are to meet fierce margin competition."

The institute suggests that UK retailers' high profits may be masking inefficient personnel management.

In a comparison of sales per employee in 1992-93 of almost 50 European retailers, Kwik Save, the best-performing British group, ranks 10th and Marks & Spencer 12th, while 11 of the 15 companies at the bottom of the list are British.

The three worst performers, Boots, Burton and Sears, have sales per employee roughly one-eighth those of Kesko of Finland, the highest-ranked European retailer.

Six of the 10 European retailers with the highest profit per employee are British, but so are seven of the 10 worst performers, including Asda, Sears, Burton and Storehouse.

Employee costs as a percentage of sales are high by European standards at Boots, Burton and John Lewis, although relatively low at Kwik Save, Isosceles (formerly Gateway), Wm Morrison and Tesco.

Tesco recently announced plans to cut 800 staff, while J. Sainsbury is considering similar moves.

By contrast, seven of the 10 European companies generating the highest profits and sales per square metre of store space are British. Most UK food retailers also carry fewer days' stock than their Continental counterparts.

However, the study says UK retailers may have less growth potential than their Continental competitors because of the difficulty in earning elsewhere in Europe profits comparable to those on their home market.

The institute finds that 67 foreign retailers established operations in Britain between 1991 and 1993 – the largest number in any European country.

European Retail Digest, Winter 1994; Oxford Institute of Retail Management, Templeton College, Oxford.

Survey highlights a nation of highly profitable shopkeepers

Profit per employee £'000			Employee cost as % sales			Profit margin %			Number of days' stock held		
1	17.98	Marks & Spencer	2	8.68	Kwik Save	1	16.90	Great Universal Stores	1	12.79	Tesco
2	16.03	Great Universal Stores	5	9.14	Isosceles	2	12.38	Marks & Spencer	2	18.73	Wm Morrison
3	9.58	Sainsbury	6	9.29	Wm Morrison	4	10.23	Boots	3	18.83	Sainsbury
5	7.45	Kwik Save	9	10.09	Tesco	5	8.03	Argyll	5	21.43	Kwik Save
6	6.75	Tesco	10	10.11	Asda	6	7.88	Tesco	6	24.96	Isosceles
7	6.33	Argyll	12	10.70	Storehouse	7	7.57	Sainsbury	7	25.79	Asda
11	5.08	Boots	14	10.87	Argyll	9	6.37	Wm Morrison	8	25.90	Argyll
13	4.71	Wm Morrison	15	11.25	Dixons Group	10	5.77	Kingfisher	10	30.65	Littlewoods Organisation
20	3.26	Kingfisher	16	11.30	Sainsbury	12	4.77	Kwik Save	14	32.38	Marks & Spencer
23	3.01	Littlewoods Organisation	17	11.53	Co-Operative Retail Services	16	4.13	Littlewoods Organisation	15	35.55	Co-Operative Retail Services
29	2.31	Dixons Group	18	11.76	Marks & Spencer	24	1.93	Co-Operative Retail Services	19	38.66	John Lewis Partnership
37	1.22	Co-Operative Retail Services	19	11.98	Littlewoods Organisation	28	1.83	John Lewis Partnership	22	42.60	Storehouse
38	1.10	John Lewis Partnership	21	12.45	Great Universal Stores	34	1.69	Dixons Group	25	51.49	Great Universal Stores
40	0.69	Storehouse	23	12.72	Kingfisher	36	1.33	Storehouse	32	67.51	Burton Group
41	0.38	Isosceles	26	14.37	Sears	43	0.60	Isosceles	38	86.21	Sears
43	0.26	Burton Group	33	17.54	John Lewis Partnership	44	0.53	Burton Group	40	94.79	Boots
45	-1.09	Sears	35	18.06	Burton Group	46	-2.35	Sears	41	94.99	Kingfisher
48	-5.17	Asda	41	19.80	Boots	47	-8.06	Asda	44	98.61	Dixons Group

Ranking shows position of British retailers in relation to Continental competitors

Source: Oxford Institute of Retail Management

MANAGEMENT: MARKETING AND ADVERTISING

More than just a pint and a packet of crisps

Britain's brewers are having to work harder to maintain the pub's popularity, writes **Philip Rawstorne**

The public house is still Britain's most popular social venue. A third of adults visit a pub at least once a week. It is the first choice as a place to meet friends, according to a recent Mori poll.

But brewers and independent pub operators are having to work harder to maintain the pub's appeal and its place in the leisure industry during the 1990s.

The closure of an estimated 3,000 pubs since 1989 – and predictions that 10 per cent of the remaining 65,000 will go out of business by the end of the decade – testify to the pressures.

The number of young people, the pub's traditional big spending customers, is declining. Drinking habits are changing under the impact of healthier lifestyles, drink-driving laws and shifting employment patterns.

There is more competition for leisure spending from restaurants and wine bars, fast-food outlets and clubs. Home entertainment has grown with the proliferation of television and videos.

"It is no longer enough just to open the pub doors," says John McKeown, retail services director at Allied-Lyons, the food and drinks group. "You have to offer much more than a drink to bring the customers inside."

Exactly what can be done to satisfy the more demanding, value-conscious consumers of the 1990s and improve the return on assets is an issue on which pub operators are now concentrating their retail skills.

Allied, which earns an estimated 16 per cent of its profits from a directly-managed estate of 2,500 pubs, believes it has found several equally successful answers.

In an attempt to understand the demands of its varied customers, Allied classified its pubs in the mid-1980s according to the community they served, the dominant age and social class of customers, and their drinking habits.

Combined with the introduction of electronic point-of-sale systems, this exercise enabled Allied to cater much more effectively to customer demands in each market sector and to anticipate changing attitudes and values.

McKeown has no doubt about what is needed to maintain the pub's place as a social centre. "You have got to make a visit to the pub an occasion, provide an enjoyable experience that will persuade customers to stay for a few hours, and provide the reassurance of consistent quality that will bring them back regularly," he says.

Allied hopes to achieve these aims with three concepts, each designed to meet the need of a different niche market. Two in particular are transforming some of Allied's pubs most threatened with closure.

Under the first concept, the company is converting into Firkin outlets local pubs which had little to offer their neighbourhood but convenience. Allied extended the brand – originally developed by David Bruce, now a director of Grosvenor Inns, the pub operator – after buying 14 of the pubs from Stakis, the hotels and casinos group.

Firkin pubs appeal to young drinkers. They feature uncluttered floor space, at least one large table that a dozen people can sit around, young staff – and most of them have a micro-brewery in the cellar producing 10-12 barrels a week of rich brews with names like Dog Bolter.

By the end of this year Allied will have 23 Firkins, and 53 by the end of next year. Pubs that have already been converted – at an average cost of £150,000 – have achieved up to a fivefold increase in turnover.

McKeown says: "There is a limit to the development. If there were hundreds of them, they would fail. One is enough in most university towns."

Plans for Allied's second youth-appeal pub brand, Mr Q's, are more ambitious. Pubs that have become stranded by population shifts, often on the edge of 1930s housing estates, are being fitted with four or five pool tables, a wall of screens for MTV and video juke boxes.

The number has been doubled in the past year to 161, and by next year there will be 220 of them. "Even if they did not sell more beer – and they do – they would still be very successful," McKeown claims.

Firkin and Mr Q's aim to buck the demographic and economic trends; but in the third part of its pubs strategy, Allied is trying to consolidate its position in the mainstream eating-out market for older couples and families.

Good value meals have become a much more important part of the pub's offering during the recession. Allied now seeks to fill a niche between the big pub-restaurant and the bar snacks trade with its Big Steak houses.

"A lot of people still feel uncomfortable in restaurants," says McKeown. "They don't like the ritual of ordering, and the waiters hovering around." So Big Steak incorporates a dining area in the pub and links its service to the bar.

"It costs about £260,000 for a Big Steak conversion, "but the investment so far is showing very good returns, with food profits 35 per cent ahead," he says. The number of outlets has been increased from 170 to 232 in the past year.

Allied intends to manage its pub brands on the same lines as its retail franchises, Dunkin Donuts and Baskin-Robbins. "We shall set and maintain the brand standards centrally," says McKeown.

Kenco's coffee ad appealed to the 'woman on top' category defined as 'one-upmanship and subverting expectations'

Sex, humour and the 'me within'

Advertisers who wish to appeal to women should take heed of a new survey. **Diane Summers** reports

Women like sex and have a sense of humour; they no longer think of themselves as the "typical housewife".

A few hours watching UK television commercials, however, might encourage viewers to conclude otherwise.

The glum succession of women obsessed with the spotlessness of their floors and weekly wash, and who crave the advice of male scientists in white coats, contrasts sharply with the humour and inventiveness of, for example, some of the beer advertising aimed principally at men.

Given that most TV commercials are for brands purchased by women, surprisingly little is known about what kind of advertising appeals to them and why, according to advertising agency Ogilvy and Mather.

The agency says commercials aimed at women are often boring and badly made, are rarely of the calibre that win awards for creativity, and "fail to get under the skin" of their intended audience.

In an attempt to improve standards, O&M's planning department in London, which provides the research that underpins the agency's creative work, has conducted a study among women of a variety of ages and social backgrounds.

The suggestion that women like more sex and humour than advertisers have hitherto been prepared to believe, and are unlikely these days to think of themselves as housewives, are among the study's main conclusions. Over the next few weeks, the findings will be presented internally, and to the agency's main clients, which include Unilever, the Anglo-Dutch food and consumer group; Ford, the car maker; health insurance group Bupa; and American Express, the credit card group.

Detailed studies were made of 12 groups of women. The women filled in diaries for a week, noting the advertisements they had watched and their reactions to them. Then they met to discuss how they saw themselves, their lives, what was important to them, and their views on brands and advertising. They also discussed a number of commercials.

From the results, the "onion theory" was developed, explains Beth Barry, planning director. Women of different ages and at different stages in their lives have more in common than many marketers believe, she says.

"As a woman progresses through lifestages, she accumulates knowledge, responses, behaviour, like the layers of an onion. Moving to a new lifestage doesn't mean discarding the experiences and memories of previous lifestages," she adds. A woman's sense of identity – the "me within", as the study refers to it – may be largely submerged or more evident at different stages, but is always there and ready to be accessed or released by advertising.

The "me", found O&M, is very strong among single women and those who have partners but no children; by the time motherhood sets in women are most likely to describe themselves in terms of roles, such as mum or housekeeper, and the "me" becomes submerged. A return to work is, for many women, a re-emergence of "me", as is divorce in some cases. As children leave home, the rediscovery of "me" will mean that, from an advertiser's point of view, older women have more in common with young singles than traditional market segmentation normally allows for.

And what exactly is this inner "me" which women carry with them through their lifestages? Its nature and complexity may surprise some marketers. For example, one 45-year-old who would be viewed conventionally as the "classic housewife", described herself thus: "Sexy me; successful me; childish me; homely me; independent me; the lover in me; maternal me; nostalgic me." Many of the women with small children, for whom the "me" was most suppressed, expressed a desire to be "wicked" or "fiery", and most wanted to be rich and admired.

The O&M planners conclude that advertisers must understand that women cannot be defined by their role or lifestage – the key to successful advertising is accessing the many aspects of "me". Waiting to be tapped are:

- The wild woman – outrageous, rebellious, sexy.
- The wicked woman – manipulative, teasing.
- The free woman – independent, happy, in control.
- The woman on top – one upmanship, subverting expectations.
- The funny woman – witty and amusing.
- The return to childhood – fun, naughty.
- The strong woman – coping, juggling, smiling.
- The intelligent, creative woman – imaginative, talented.
- The pampered woman – romantic, indulging, relaxed.
- The voyeur – enjoying men's bodies.

Examples of the commercials which most appealed to women included a Nescafé advertisement for cappuccino, which showed a group of young men setting up a coffee bar on the beach to attract some passing young women – this appealed to the romantic and nostalgic "me" in all ages. A Kenco advertisement for instant coffee, which has a coffee grower mistakenly assuming that the man, rather than the woman, is the boss, appealed to the "woman on top". The Gossard underwear "lock up your sons" advertisements appealed to the "wild woman".

Often the more overtly sexual commercials – for instance, some of the most recent for Cadbury's Flake – were considered slightly embarrassing and were liked less than those which aligned sensuality with beauty and stillness.

Predictably, advertisements for household cleaning products were among the most irritating to women: the Daz washing powder commercials featuring doorstep interviews were seen as patronising, dull and too ready to categorise women as "housewives".

But, overall, the advertisements that women liked least, says O&M researcher Sarah Newman, were simply poorly made, boring and "like wallpaper".

TECHNOLOGY

Simulators are being used for training, design and crisis management. **Robert Thomson** and **Andrew Fisher** report

All at sea from the safety of a warehouse

Standing on the bridge of a crude oil tanker, manoeuvring towards the entrance of Tokyo Bay, our course is compromised by a cargo vessel coming from the starboard. Curious to see how the ship simulator handles a collision, I take aim at the cargo vessel and ask the first mate how long we must wait for the moment of impact.

The answer is a patience-testing "about five minutes". More sophisticated than a video game, but slower with the thrills and spills, the Ishikawajima-Harima Heavy Industry (IHI) simulator is intended to give a ship's crew experience at the helm in the safety of a small warehouse.

Because standard instruments are used on the bridge, the simulator has a reality that is more than virtual and the sound effects that come with a collision are convincing. But even so, it is difficult to get away from the sense that you are in a big room in central Tokyo surrounded by a video screen, and this detracts from the tension of the experience.

IHI, the first Japanese company to build a simulator, in 1975, has just sold a Y1bn (£6m) version to a maritime college in Bombay, and claims the ability to recreate any international port setting or narrow-necked strait for training purposes. All the company needs is a collection of images and relevant information about the shifting currents in the area.

To imitate conditions on a real ship, IHI has put speakers under the floor of the bridge, providing the crew with the vibrations that would come from an engine beneath them. From behind the nautical instruments, the video projection extends 225 degrees, covering the entire field of vision with five overlapping screens.

A shipbuilder by trade, IHI has put standard instruments on the "mimic bridge", as it is called. The customer can then choose the type of mother ship it requires – a tanker, car carrier, a ferry or large fishing vessel. Potential obstacles range from a dimly-lit buoy to an errant yacht in the shipping lanes.

Yoshitsugu Matsuura, the manager of the simulator project group at IHI, is a little touchy when reminded of the similarity between an arcade video car-racing game and a state-of-the-art ship simulator. "They are on a different scale and very different in their sophistication. A video game has a video base and the simulator is a collection of different technologies."

It is very sophisticated. When our vessel eventually collided with the cargo vessel, there was a realistic scraping of metal, giving the impression that we were badly holed and taking on water fast. On a separate simulator model, designed to give the impression of being behind the wheel of a twin-hulled jet propelled cruiser, our vessel passed silently through the video image of a container carrier at the moment of impact.

IHI has paid attention to detail in creating the sea's texture, knowing that the simulator's effectiveness will be devalued if trainees do not sense that they are at sea. The blue bubbles and whirling currents are a blend of computer graphics and video images. When the computer programmer turns down the lights for night navigating, the simulated sea becomes convincingly dark and forbidding, with the lights of land flickering in the distance.

After setting an obstacle course, the teacher is able to record the response times of trainees at a separate terminal, returning after an exercise to point out the faults of a clumsy attempt to dock or the dangers of failing to give way at the entrance of a simulated harbour.

Apart from teaching trainees to avoid accidents, the equipment can be used to recreate an accident scene. By programming the course of two vessels, and copying the surrounding sea and weather conditions, whether it be a fog-shrouded harbour or the rushing waters of high tide, investigators are supposed to be able to experience an accident themselves.

Demand for the simulators is still a little slower than the cruising speed of a very large crude carrier. Matsuura said IHI expects to sell one every year or two, though the increasing sophistication of the electronic components means the simulator is coming closer and closer to the real thing and could generate interest from colleges which have so far preferred to do their training at sea.

The equipment is part of the management justification for IHI's own investment in electronics which has little direct relevance to the building of ships, oil rigs or the other heavy industrial structures in which it has most expertise. Japanese shipbuilders and steel companies have been enthusiastic converts to the semiconductor and computer industries, believing that as steel has traditionally been the country's "industrial rice", the chip is the industrial rice of the present and future.

RT

Collapsing the system without getting the sack

If power engineers have nightmares, they probably include hurricanes, thunderstorms, blizzards, bolts of lightning, generating equipment failures and severe voltage losses – anything likely to threaten the electricity system or even collapse it.

For most of them – at least in the National Grid system along which electricity is distributed in England and Wales – such incidents never occur in real life. Only around 20 per cent of those controlling the power system ever experience any emergencies.

Thus when the National Grid planned its new £80m control network, brought into operation last October, it included a sophisticated training simulator designed to give those engineers who had only worked trouble-free shifts a taste of what to expect when chaos intervened and nightmares came to life.

"We're not trying to frighten them," says Steve Allamby, lead instructor. "But people on shift can go for a number of years without seeing major faults. So we put them under very onerous multiple fault conditions like hurricanes."

Every one of the control engineers at the National Grid's four regional centres and the national control centre in Wokingham, Berkshire, is being put through the simulator course.

"This is the only place in the British Isles where you can collapse the system and not get the sack," says Gordon Stirrat, head of the simulator training operation. Teams of engineers from around England and Wales – Scotland's power distribution is handled by the generating companies – spend two days at the simulator in St Albans, just north of London in Hertfordshire. If Wokingham goes down for any reason, the St Albans facility can rapidly be switched over from training to run the whole National Grid.

On the simulator, engineers are subjected to several scenarios of growing severity. These are based on possible conditions in their own areas, so that engineers from the south could be faced with winds from the English Channel or a sudden failure in electricity imports from France, while those in the north could have ice and snowstorms.

The instructors can use the simulation software to build up the series of events so that the engineers have to cope with a "cascade effect", as Stirrat puts it. The faults are usually related, but it is not always obvious which one is potentially the most serious. If the engineers are coping too easily, extra faults can be introduced to stretch their abilities further. To add to the confusion, a report can be phoned in of someone having climbed a pylon, so that power has to be routed around it.

The effects on the power system of the hurricanes of 1987 in south-eastern England can be recreated, as can the vicious countrywide snowstorms of 1990 which caused even more damage. A band of lightning which tends to sweep across the south-east coast and up to East Anglia through London is also featured.

In the midst of coping with all this, an instructor can distract the engineers by pretending to be a regional grid manager and march on to the control floor demanding an instant report on what is happening.

Each session lasts around two hours, with those on the simulator sitting at a bank of computers in front of a large screen with a detailed diagram of the National Grid. Engineers from the regions look at the part of the screen containing their own power stations, sub-stations and electricity lines. Flashing lights and indicators alert them to problems, to which they react by studying their screens and telephoning experts along the network to find out what is happening and have matters put right.

The roles of those at the other end of the telephone are played by instructors and team members not involved in the session. They sit in a room overlooking the simulator floor. As well as seeing how those on the simulator handle the incidents, with only a few minutes available for some solutions, the instructors also observe how well and coolly the senior team member analyses events.

Generally, says Stirrat, engineers react correctly to the incidents thrown at them. If they make mistakes, it is important they are aware of why things went wrong. No one has yet found it all too much and walked off the floor, but Stirrat recalls that an engineer did throw up his hands in (presumably) mock despair once and cry out: "I surrender."

AF

The human factor

Aircraft simulators are normally used to train pilots and refresh the skills of experienced flyers, but the newest equipment used by Lufthansa, the German airline, goes a significant step further.

As well as putting trainees through their paces, its simulator is used for research into how pilots behave in aircraft and into the best ways of designing modern cockpits.

The DM40m (£15m) simulator is shared by Lufthansa and Berlin University's Institute of Aerospace, where it is located. Its operating company, the Centre for Flight Simulation (ZFB) is owned by Lufthansa, Deutsche Aerospace (part of Daimler-Benz), CAE (the Canadian company which developed the software) and the state-owned German Aerospace Research Institute.

Gerhard Hüttig, head of ZFB, says today's pilots have to be equally at home in the worlds of information processing and flying. "Our central research theme is the human factor and how people work with complex modern equipment."

The simulator is based on the latest long-range European Airbus A340. Run by a powerful IBM computer, it is programmed with details of some 50 airports to give pilots as realistic an impression of take-off and landing as possible.

Lufthansa is the main user of the simulator, the first of its type, although the National Aeronatics and Space Administration now has a similar one in California based on a Boeing 747 cockpit. For research purposes, ZFB switches to a separate IBM to run the programs for investigating the ergonomic and health aspects of flying. Cameras and medical equipment are used to monitor brain, heart and other reactions. Colour recognition and how this is affected by ageing, is also studied. With a large amount of complex digital information, it is important to know which colours are most effective.

The simulator is also available to equipment manufacturers for cockpit design. Hüttig says French companies like Thomson and Aérospatiale have expressed an interest in using it.

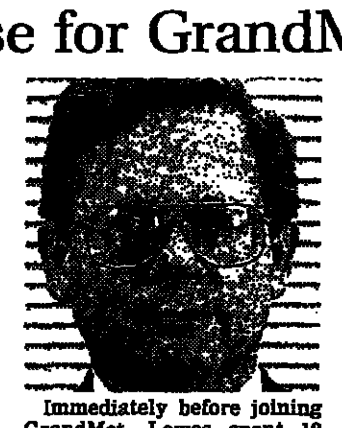
AF

PEOPLE

Main course for GrandMet's Lowes

Grand Metropolitan has brought Robert Lowes, 48, into the role of chief executive, Foods Europe, following the departure of the incumbent, Peter Thompson, 47, to become president and chief executive of Walkers Smiths Snack Foods, part of PepsiCo Foods and Beverages International.

Lowes has been with GrandMet since December 1989, when he joined as chief financial officer of Pillsbury, based in the US. In April 1992, he moved to London to become deputy group finance director. GrandMet Foods Europe recorded profits of £958m in the year to September 1993.



Immediately before joining GrandMet, Lowes spent 12 years with Philip Morris/General Foods in a variety of roles, ultimately as corporate controller with Philip Morris in New York. His new job at GrandMet will be based in Paris. Lowes' experience in the food business stretches back to 1975, when he first joined H J Heinz as an assistant manager in commodities and finance.

Stepping into the vacated deputy group finance role – though the title is now group controller – is David Rickard, 47, currently chief financial officer of Pillsbury and of GrandMet Foods America. Like Lowes, a US citizen, Rickard joined GrandMet in two years ago from an 18-year background in various finance posts with Kraft General Foods in the US and Europe.

■ Robert Mendelsohn, 47, is to take over as chief executive officer of the US subsidiary of ROYAL INSURANCE, following the retirement of William Buckley, 57, from his positions both as president and chief executive officer of the company and as a director of Royal's holding company.

Until last year, Mendelsohn was president and chief operating officer of WR Berkley Corporation, a successful non-life company whose recent operating results have compared favourably with the rest of the US industry. If Berkley's advertising slogan – "Volume is vanity, profit is sanity" – is any indication, Mendelsohn should feel at home with Royal's emphasis on underwriting discipline rather than market share.

Royal's US company, which is based in Charlotte, North Carolina, is ranked in the top 30 property and casualty insurance companies in the United States and is rated A- by AM Best Company. It has a share of just under 1 per cent of the US market.

■ Colin Browne, 48, director of corporate relations at British Telecom since 1986, has been appointed as director of corporate affairs at the BBC. He replaces Pamela Taylor, who has left for the World Health Organisation after little more than a year in the job.

Browne's decision to exchange the comparative calm of Britain's biggest company for the sometimes turbulent internal politics of the BBC management team comes as a bit of a surprise. Taylor, who replaced Howell James in November 1992, was brought in as part of BBC director general John Birt's radical management shake-up.

Browne, a career BT man was director of BT Vision, responsible for developing BT's interests in cable TV and satellite TV programming, before moving into corporate affairs. He has been replaced by Ian Ash, 51, a former IBM executive who joined BT in 1989 and was until recently director of marketing in BT's personal communications division.

■ LASMO, the independent oil exploration and production company, yesterday appointed Richard Smernoff to fill the vacancy created by the departure last year of Michael Pavia, the former finance director.

Smernoff, 52, spent his early career with accountants Coopers & Lybrand and with International Paper Company. He then spent 13 years with Amerada Hess, the US oil company, where he was senior vice president and corporate controller. In 1992 he spent a year with Lasmo in the US, helping in the rationalisation that followed Lasmo's takeover of Ultramar.

That assignment was one factor behind his appointment, according to Joe Derby, chief executive: "We know he will fit into the Lasmo team".

Smernoff's inter-personal and communication skills – another factor – are likely to be subjected to an early test. Full year results for Lasmo, which is particularly vulnerable to current low oil prices, are due shortly after he takes over in March.

■ Tony Philipson, 47, has been appointed group chief executive of Porter Chadburn, the consumer products and packaging company. He replaces Raymond Dinkin who left in December after a run of poor results saw the share price fall from 300p in 1987 to a low of 14p last month.

A graduate of Nottingham University, Philipson spent the 1970s at graphic arts company Letraset before moving to Pritchard, the industrial services group, in 1982.

But it will be his performance at Savage Group, the hardware supplier, where he has been chief executive since 1991, that will hold most appeal for Porter Chadburn's shareholders. When he took the helm, the company had a market capitalisation of £12m. Two and a half years later, it was sold to Midlands manufacturer, McKechnie, for £48m.

The key to that success was the elimination of losses in international subsidiaries, an interest he will be able to maintain at Porter Chadburn, whose US labelling business has continued to disappoint.

■ Guy Dickson has been appointed chairman and md of SCOTTISH & NEWCASTLE Breweries in succession to Gavin Reed who retires in November.

■ Christopher Haines, former chief executive of the Jockey Club, has moved from a non-executive position on the board of YORKSHIRE FOOD GROUP to become an executive director heading its newly created operation, Sugar Solutions.

■ Andrew Bird has been appointed marketing director of SECURICOR Communications; he moves from Dowty Communications.

Charkham to advise PIRC

Jonathan Charkham, a member of the Cadbury committee on corporate governance and former adviser to the Bank of England, has become an adviser to Pensions and Investment Research Consultants.

PIRC has made a name for itself advising UK local authority pension schemes in particular about such matters as corporate governance and ethical investment, thus identifying itself with a distinctly non-City clientele.

PIRC also advises some US investors on corporate governance matters in the UK and was instrumental in forcing Hanson to back down last year on proposals to weaken the ability of shareholders to challenge board members at the annual general meeting.

Charkham is a non-executive director of GUS – itself under fire for some aspects of its corporate governance; his book, *Keeping good company: Corporate governance in five countries*, is published this month by OUP.

Non-executive directors

■ John Bond, Bryan Sanderson and Richard Turner at BRITISH STEEL; Lord Gregson, Sir Ronald Halstead and Alan Wheatley have retired.

■ Brian Birkenhead, group finance director of National Power, and Brandon Gough, soon-to-retire chairman of Coopers & Lybrand, at DE LA RUE.

■ Sir Terry Heiser, former secretary of the Department of the Environment, at COSTAIN.

■ Clive Cooke, ceo of RMJ Securities, Bill Kissack and Geoff Lott, directors of Williams, Cooke, Lott & Kissack, and Jim Magee, chief executive of Shorcan International Brokers, at EXCO INTERNATIONAL.

■ Gerald Scanlon, retired deputy chairman and group chief executive of Allied Irish Banks, at AVONMORE FOODS.

■ Nigel Myers at CENTRAL MOTOR AUCTIONS; and Richard Wilson temporary acting chairman confirmed as chairman following the death of Eric Myers.

Theatre

April in Paris

John Godber, the writer/director from Hull, is still in his 30s. Already he has a string of successes behind him. *Bouncers*, *Teechers* and *Up'n'Under* were all admirably professional. The titles described the subjects, the last being about rugby league. They were full of zest, social observation and competence.

Sadly, I missed *On the Piste* (another expressive title) when it played – to some acclaim – in the West End last year. But it never occurred to me until the opening of *April in Paris* at the Ambassadors this week that Godber is one of the best contemporary British playwrights.

The piece is not quite new. First performed in Hull in 1992, it has toured the country and ran on the Fringe – to mixed reviews – throughout last year's Edinburgh Festival. It has arrived in London with a new cast: Gary Olsen and Maria Friedman. Splendid as they are, most of the praise must go to the writing and the direction, which is by Godber himself.

April in Paris can be only described as a comedy. Some of it is very funny. Yet it is the sadness that prevails, along with the craftsmanship. Olsen and Ms Friedman are the sole characters. Married for nearly 10 years, they quarrel, yet remain mutually dependent; there is never much chance that they will part.

He is a physically large man, suffering the pains of having been made redundant. He paints in his shed, mainly pictures of power stations in sombre colours. She is half his size, neat and good-looking, still has a job and spends her spare time entering magazine competitions. She wins a trip for two, including "a night of luxury" on North Sea Ferries to Paris. Neither she nor her husband have been abroad before, and not very far out of Hull.

The first hint that this might be an out-of-the-ordinary play comes when the storm in the North Sea clears and the husband, a reluctant traveller, catches a glimpse of the receding English coast. "Have you noticed," he says, "how sad the people in the streets have become?"

Paris is a revelation. They love it. The artist in the husband comes out when he sees the Mona Lisa in the Louvre. He accepts a steak *tartare* in a restaurant without knowing what it is, then overcomes his revulsion to find it delicious. The wife picks up French faster than he does, but even he agrees to go on the Metro and stuns her by asking for a *carnet* at the ticket office.

This is, incidentally, the most pro-France and pro-European Union play that I have seen by a British writer – possibly the only one. There are no cheap jokes about foreigners. With the liberation supplied by Paris, the couple begin to call each other by their first names, Al and Bet, for the first time in years.

The return to Hull is an anti-climax, but life will never be the same again. Al continues to paint in his shed, but now – in bright colours – a surrealistic Eiffel Tower. This time it is the husband looking at the magazines for travel prizes – like taking his wife to Mexico, which gives the play a very neat ending.

The sets, designed by Robert Jones, are integral to the piece: small black and white for the house in Hull, then a few minor changes to show a ship in storm, and finally, in the second act, a huge background of the *Moulin Rouge*. Some of the vignettes are superb: watch Al and Bet travelling together standing in a crowded Metro after midnight. Rarely can two players complement each other so well as Olsen and Ms Friedman. As for Godber, he has arrived as a playwright who can combine comedy, depth and feeling.

Malcolm Rutherford

Ambassadors Theatre. (071) 836 6111

THE BLUE KITE
Tian Zhuangzhuang

WAYNE'S WORLD 2 (PG)
Stephen Surjik

LES VISITEURS (15)
Jean-Marie Poiré

JACK BE NIMBLE (18)
Garth Maxwell

BODIES, REST AND MOTION (15)
Michael Steinberg

THE CONFORMIST (18)
Bernardo Bertolucci

Everyday terrors under the sway of tyranny: Yi Tian as Tietou with his kite in Tian Zhuangzhuang's latest film

Cinema/**Nigel Andrews**

Life in a cold climate

Here are some of the rewards offered to good filmmakers across the world. In America, they give Oscars; in Britain, Baftas; in France, Cesars; in Europe, Felixes; in China, detention sentences and/or visa confiscations.

This is what happened to Tian Zhuangzhuang. "Where is he?" we cried last year at Cannes when his film *The Blue Kite* became the sleeper of the Directors Fortnight. This movie about the everyday terrors of life under the sway of Mao and his Little Red Mind should be spoken of in the same awed breath as *Farewell My Concubine*. Passion, compassion and a searching, majestic irony join together in the history of a family concussed by Communism.

So where *was* Tian? Back in China after having his exit visa taken away. And why does *The Blue Kite* trespass across forbidden political airspace? Because it chronicles 20 years in the life of a family based on Tian's own as its members endure the cruel, interchangeably wintry seasons of Maoist rule. From the Sino-Stalinism of the early 1950s the film moves through the "Hundred Flowers" and the "Great Leap Forward" and finally the Cultural Revolution. Iced-up movements all: designed less to enhance or advance the lives of the people than to crystallise the tyrannies of their leaders.

Nothing wintry, though, about the movie. Characters sketched with lightest shadings grow their own irresistible warmth and colour as we watch. There is the librarian Shujuan (Lu Liping), wistfully enduring a life of serial wedlock as she loses one husband to political exile, then marries his repentant betrayer, then ends up with a dried-out old Professor. There are her quizzical, button-bright son Tietou (our main point-of-view character); her yappy Marxist sister; her sweet-natured, weak-willed brother, who loses his girlfriend to one of several passing purges; and others still, filling up a fresco of Chinese street life that seems real to every brushstroke.

Tian portrays this life built on deprivation and thought-policing with a naturalism at once tender and abrasive. Popular Maoist songs are offered up for mockery: "We don't give peace to invaders or bad people!" sing a bunch of wedding guests; "Wipe out waste, decay and bureaucracy!" warble a group of schoolchildren. But the movie never stops at mere scorn. It swells from the modest, multiple-choice pathos of early scenes – divided families, fractured loyalties – to a kind of vast silent tragedy: the story of a nation whose people survived despite an experiment in nationhood that grimly, resoundingly failed.

*

Wayne's World shocked the planet recently by disproving King Lear's theory that nothing will come of nothing. Two completely empty heads, the comedy showed, could fill cinema cash registers across the globe. Wayne (Michael Myers) was the head with long dark hair and a face like a Halloween turnip. Garth (Dana Carvey) was the head with long blond hair and a face like Norman Bates's mother. When not co-hosting their DIY chat show on public-access TV, our teenage twosome sallied forth from Aurora, Illinois, to spread the gospel of rock culture and insane catch-phrases.

In *Wayne's World 2* they stage a "real" pop concert – Waynestock – with help from Kim Basinger, Charlton Heston, Aerosmith, Rip Taylor and any other celebrity who happened to be trapped inside Paramount Studio's perimeter fence during shooting.

This is the mixture as before, so why is it so much funnier? One reason: its silliness-on-a-loop humour works like mesmerism, lulling you with repetition before manipulating your funny-bone at will. Reason two: in translating themselves to movies from their *Saturday Night Live* American TV slot, Myers and Carvey have developed a flair for duffing up movie lore itself. *Jurassic Park*, *Field Of Dreams* and *The Graduate* are among a dozen-odd films invited into the script's orbit in order to be knocked about. And the best joke is a delayed-action gem about the function of melons, chicken crates and sheets of replacement glass when wheeled into place on a movie street.

Most comedy traditions can be seen in terms of Biblical genealogies. Bill and Ted begat Wayne and Garth and Wayne and Garth might have begotten – by triangular interbreeding with Monty Python – Jacquouille and Godefroy in *Les Visiteurs*. This has been the greatest box-office success, bar none, in French cinema history. Fourteen million Gauls have paid umpteen million francs to watch a medieval knight and his squire (tall and stately Jean Reno, squat and manic Christian Chalonge) flung into present-day Languedoc after a mix-up with a witches' spell.

Passion and irony as a family endures the cruel, interchangeably wintry seasons of Maoist rule

Here they experience culture shock and so does the audience. (How is your ear for 1990s-colloquialised Medieval French?) The posh hotel in which Jacquouille and Godefroy run bewilderedly amok is none other than J's old family castle now converted into a *relais* and managed by limp-wristed Jacques-Hebri (Chalonge doubling up). It is also owned by a descendant of the knight's 12th century fiancée Beatrix (Valerie Lemercier, France's answer to Penelope Keith, also doubling up).

There is, as you see, much doubling up: more than there may be among non-French audiences. Having taken a nervous eternity to reach Britain, the film now offers its blend of esoteric Gallic humour with high-pressure subtitles. Will audiences in outer Wolverhampton crack up at the sight of two time-confused Middle-Agers washing their faces in a bidet? Or throwing Chanel No 5 into the bath as if it were bath mousse? (But what would they know about bath mousse?) Or falling foul of "supermarkets," those strange indoor stadiums filled with wire-mesh chariots?

And so on, with a mixture of overzealous slapstick and undernourished reliance on the hilarity of anachronism. Jean-Marie Poiré's film suggests that more than a Channel Tunnel is needed to create a *trans-manche* link between French and non-French senses of humour. But then they may say the same after seeing *Wayne's World 2*.

But *Les Visiteurs* is beaten to this week's wooden spoon. That is shared between Garth Maxwell's *Jack Be Nimble* from Australia and Michael Steinberg's *Bodies, Rest And Motion* from the US.

The first is a ill-stirred stew of violence, hypnosis and revenge, all about two separated-when-young siblings (Alexis Arquette, Sarah Smuts-Kennedy) who reunite for a spot of grown-up carnage. Steinberg's film is an Arizona-set tale of drifting lovers. Here the wooden spoon could have been used to hit everyone over the head. It might have instilled some vitality into Eric Stoltz, Bridget Fonda and Phoebe Cates; though Britain's Tim Roth does better, leavening his portentous Zen-buddyist dialogue with an almost plausible South-Western accent. The title, by the way, comes from one of Newton's Laws: but not the one about the danger of sitting near overripe or prententious plantings in case they drop heavy objects on you.

See instead Bertolucci's 25-year-old *The Conformist*, reissued in a new print and looking a dream. Which of course it is: the reveries of a 1930s political chameleon (Jean-Louis Trintignant), evolving from closet homosexual to Fascist hit man to casualty of history. The images dazzle; the camera behaves like Torvill and Dean on hallucinogens. A good film-maker reaches his peak of almost-greatness, just before he sold out to gift-wrapped Maoism (*The Last Emperor*) and guff-wrapped existentialism (*The Sheltering Sky*).

Opera/**Richard Fairman**

Donizetti's 'L'elisir d'amore'

If an opera company wants to enter into a partnership of some kind in Europe, where better to go than Maastricht? The city that produced a treaty as full of drama and complications as any grand opera is also the part-originator of Scottish Opera's latest collaborative venture, a shared production of Donizetti's *L'elisir d'amore*.

It is a modest undertaking, accomplished without a hitch. While Euro-sceptics may look upon the treaty as a tragedy in five acts, this short Donizetti opera is a comedy which asks for a light touch. The Scottish-based producer Giles Havergal has not tried anything outlandish. Although his staging does not probe the emotional issues as tellingly as it might, the basis is there for a good, standard addition to Scottish Opera's repertory.

The curtain goes up to reveal a picture of idyllic country life – literally, as the stage is encased in a giant, golden frame. As the sun beats down, women in wide-brimmed hats help their menfolk harvest the summer's crop of apples and oranges. Havergal knows how to arrange his chorus in attractive groupings. The designer, Russell Craig, has provided colourful sets and costumes, especially strong on complimentary red and green.

From a programme note one might have thought that the producer intended to stress some "magic" element in the opera, but it was not to be. Although Donizetti's quack doctor sells what he claims is a mystical elixir, it is in fact nothing but a bottle of Bordeaux. The coming-together of the young couple is achieved not by any magic potion, but through their true feelings – the twist in the comedy that should make it touch the heart.

The cast, led with brio by the conductor Marco Guidarini, does not quite manage that. Cheryl Barker sings Adina's music with sparkle and made the transition from cold, bookish minx to loveable girl-next-door wholly convincing. Simon Keenlyside's bumptious Belcore struts across the stage, tweaking his moustache, twirling his baton: another amusing characterisation from this imaginative baritone. Lisa Milne is a delightful Gianetta. The only weak link is the gruffly-sung Dulcamara of Claude Corbeil, who comes dressed like the Mad Hatter, but is not half as much fun.

In the key role of Nemorino the company has fielded Paul Charles Clarke, who is probably as Italianate a tenor as Scottish Opera can hope to attract. The voice has a good ring to it at the top, though it returns to its English roots on certain vowel sounds lower down. As a bel canto stylist, he knows how to spin out the tone in an instrumental fashion when he wants to. "Una furtiva lagrima" was well sung, but not as moving as it can be.

Why? The trouble is that the role of poor, simple-minded Nemorino is an awkward one, which needs to be played with tact. Clarke laudably tries not to overdo the simplicity, but ends up failing to do enough to win one's sympathy. His Nemorino is just too sure of himself to be ignored and rebuffed, so in the last resort the heart is not warmed, the potion has not worked. In the best performances perhaps there is a kind of magic, after all.

At the Theatre Royal, Glasgow, until February 11, then on tour

---

INTERNATIONAL

ARTS GUIDE

ATHENS

Megaron Tomorrow: Athens State Orchestra. Sat and Sun: Nicholas Michalakis conducts Philharmonia Orchestra in two programmes, with soloists Yvonne Kenny, Peter Donohoe and Tasmin Little. Next Tues and Thurs: Vienna Octet and friends play works by Schubert (01-728 2333/01-722 5511)

BOLOGNA

Teatro Communale Sat: Daniel Oren conducts revival of Jonathan Miller's Monte Carlo production of Maria Stuarda, with cast headed by Kallen Esperian, Gloria Scalchi, Gregory Kunde and Giovanni Furlanetto (repeated Feb 9, 11, 13, 16, 18, 20, 22). Mon: Maxim Vengerov violin recital (No telephone bookings accepted. For information, call 051-529999)

FLORENCE

Teatro Verdi Tonight: Paolo Olmi conducts first night of José Carlos Plaza's production of Rossini's Il barbiere di Siviglia, with Vesselina Kasarova, Claudio Desderi and Ferruccio Furlanetto. Daily except Mon till Feb 10, with alternating casts (055-277 9236)

GENOA

Teatro Carlo Felice The next opera production is L'elisir d'amore, opening Feb 11 with a cast headed by Luciana Serra. This month's programme also includes Zorba the Greek, ballet by Lorca Massine with music by Mikis Theodorakis (010-589329)

LONDON

THEATRE

- The Skriker: Caryl Churchill's strange and strong new play is in repertory at the Cottesloe with first complete British staging of Tony Kushner's Angels in America (National 071-928 2252)
- An Absolute Turkey: Felicity Kendall plays a harassed wife and Griff Rhys Jones a frantic bachelor in Peter Hall's enjoyable production of Feydeau's Le Dindon (Globe 071-494 5065)
- September Tide: first West End showing for 45 years of Daphne du Maurier's drama of inappropriate passion, with Susannah York as the decent woman in love with her son-in-law (Comedy 071-867 1045)
- Machinal: Fiona Shaw heads the cast in Stephen Daldry's production of Sophie Treadwell's 1928 drama about an ordinary young woman who kills her husband and tries to break free from the pressures of the modern world. In repertory at the Lyttelton with Sondheim's Sweeney Todd (National 071-928 2252)
- Oleanna: Denis Lawson and Michelle Fairley have taken over the leads in David Mamet's two-hander about sexual harassment on the university campus (Duke of York's 071-836 5122)
- An Inspector Calls: Stephen Daldry's award-winning production of J.B. Priestley's social thriller (Aldwych 071-836 6404)

OPERA/DANCE

Covent Garden The Royal Ballet presents Kenneth MacMillan's Mayerling tonight and Sat (no further Royal Ballet performances till March 19). The Royal Opera has Elektra with Eva Marton, Marjana Lipovsek and Nadine Secunde (till Feb 17), and a new production of Massenet's Chérubin opening on Feb 14. Opera North presents its acclaimed production of Britten's Gloriana next Mon and Thurs (071-240 1066)

Coliseum Jonathan Miller's new production of Der Rosenkavalier, conducted by Yakov Kreizberg, opened last night with a cast headed by Anne Evans, Sally Burgess and John Tomlinson (till March 16). ENO repertory also includes Die Fledermaus (till Feb 10) and Nicholas Hytner's production of Xerxes (till Feb 24). Falstaff is revived on Feb 17 (071-836 3161)

Sadler's Wells Feb 9-12: Irek Mukhamedov and Company in world premiere of a new version of Othello choreographed by Kim Brandstrup, plus works by Balanchine, Vaganova and Michael Corder (071-278 8916)

Queen Elizabeth Hall Tomorrow, Sat: CandoCo in new choreographies by Siobhan Davies and Emilyn Claid (071-928 8800)

CONCERTS

South Bank Centre Tonight: Giuseppe Sinopoli conducts the Philharmonia in Mozart and Mahler, with the Labeque Sisters. Tomorrow: Paavo Berglund conducts RPO in Ravel, Tchaikovsky and Sibelius, with piano soloist Peter Donohoe. Sat: David Willcocks conducts Bach Choir. Sun and Mon: Roger Norrington conducts Gilbert and Sullivan's HMS Pinafore, with cast headed by Robert Tear, Benjamin Luxon, Sarah Walker and Richard Van Allan. Tues: Berglund conducts RPO in Strauss, Rakhmaninov and Nielsen, with piano soloist Dmitri Alexeev. Wed: Esa-Pekka Salonen conducts Beethoven, Bartok and Prokofiev, with piano soloist Yefim Bronfman. Wed (QEH): Opera North concert performance of Chabrier's L'Etoile. Next Thurs and Fri: Simon Rattle conducts Orchestra of Age of Enlightenment. Feb 13, 16, 19: James Levine conducts the Philharmonia. Feb 14, 15, 20: Tennstedt conducts Brahms (071-928 8800)

Barbican Tomorrow till Tues: Schumann and Friends, concert series devised by Raymond Leppard featuring Felicity Lott, Medici Quartet and English Chamber Orchestra. Wed: Richard Hickox conducts City of London Sinfonia, with percussion soloist Evelyn Glennie. Feb 12, 13: Previn conducts LSO (071-638 8891)

MADRID

Auditorio Nacional de Musica Tonight: Spanish National Chorus in a programme of Bach and 18th century Spanish music. Tomorrow, Sat, Sun: Adrian Leaper conducts Orchestra of Grand Canary in works by Falcon, Strauss and Prokofiev, with violin soloist Boris Belkin. Next Tues and Thurs: Ensemble Erwartung of Paris plays two French programmes (01-337 0100)

MILAN

Teatro alla Scala There are matinee and evening performances on Sat of the Nureyev production of Sleeping Beauty. Georg Solti conducts Wagner concerts next Tues, Thurs and Sat, with soprano Deborah Polaski. The next opera production is Puccini's La Rondine, opening Feb 16 (02-7200 3744)

NAPLES

Teatro San Carlo Tomorrow, Sat, Sun: Zoltan Pesko conducts orchestral and choral works by Rakhmaninov, Musorgsky and Borodin (081-797 2331)

Teatro delle Palme Tonight: Alexander Lonquich piano recital. Next Wed: Eliot Fisk and Joe Pass guitar recital. Feb 17: Borodin Quartet (081-406011)

PALERMO

Teatro Massimo This month's opera production is Madama Butterfly, opening on Tues and running daily till Feb 23 except Feb 9, 14, 18 and 21. Raina Kabaivanska, Maria Spacagna and Yasuko Hayashi alternate in the title role (091-605 3315)

PRAGUE

- Leonard Slatkin conducts Czech Philharmonic Orchestra tonight and tomorrow in Dvorak Hall. The programme consists of Barber's Knoxville (Linda Hohenfeld) and Mahler's Sixth Symphony. Recitals are given by pianist Georges Pludermacher on Sat and Prague Trio on Mon (02-286 0111)
- Petr Altrichter conducts Prague Symphony Orchestra on Sun at Smetana Hall in works by Novak, Lukas and Martinu (02-232 2501)

ROME

Teatro Olimpico Tonight: Fone Quartet plays Beethoven string quartets. Next Thurs: Andras Schiff. Feb 17: Uto Ughi (06-320 1752)

Gonfalone Tonight: Wolfgang Marshner conducts Gonfalone Chamber Orchestra in works by Telemann, Spohr, Schubert and Mendelssohn (06-687 5952)

Teatro Valle Sat, Sun, Mon, Tues: John Nelson conducts Orchestra dell'Accademia di Santa Cecilia in works by Berlioz, Fauré, Ravel, Messiaen and Debussy (06-678 0742/06-6880 3794)

Universita La Sapienza Sat: Guildhall String Ensemble in works by English composers. Feb 12: Cherubini Quartet. Feb 19: André Watts (06-361 0051)

Teatro Il Sistina Sun morning: Narcisco Yepes plays Rodrigo's Concierto de Aranjuez (06-5734 4664)

VENICE

Teatro La Fenice Tonight: Frederic Chaslin conducts revival of John Schlesinger's Covent Garden production of Les Contes d'Hoffmann. Repeated Feb 6, 9, 12, 15, 17 (041-521 0161)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715

MONDAY
Super Channel: FT Reports 1230.

TUESDAY
Super Channel: West of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345

WEDNESDAY
Super Channel: FT Reports 1230

THURSDAY
Super Channel: West of Moscow 1230; FT Reports 2130
Euronews 0745, 1315, 1545, 1845

FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030

SATURDAY
Sky News: 0330; 1330

SUNDAY
Super Channel: FT Reports 2230
Sky News: FT Reports 1730; 0430

When neighbours are not good friends

BOOK REVIEW

Old states have split up, and new ones are unable to agree on their frontiers. Ethnic conflict rages in the former Yugoslavia and in many parts of the former Soviet Union. And there is almost certainly more to come.

As Kamal Shehadi warns, in his Adelphi paper published by the International Institute for Strategic Studies, "self-determination conflicts are likely to continue to plague the Russian federation and many of its surrounding states, as well as the Balkans, China, India, Burma, Indonesia, Iraq, Turkey, Ethiopia and the rest of the Horn of Africa, Sudan and South Africa".

In all those places, people are asserting a national identity which they feel is not reflected in, or recognised by, the state of which they are citizens, or subjects, or at least residents. Many of them are asking for a new state, or for the territory where they live to be transferred to another existing state with which they identify. Almost always this demand is resisted by the state they now belong to, and frequently the result is bloodshed, culminating in the forced displacement of populations.

This process is destructive of international order. The flood of refugees; the power of example; the danger of contamination if weapons of mass destruction are used: all these, as well as humanitarian revulsion, make it impossible for great powers to ignore the problem. Traditional responses are clearly inadequate. The hunt is on for a new approach.

Shehadi's paper, along with Gidon Gottlieb's *Nation Against State* and *New Approaches to Minority Protection* by Asbjorn Eide are all contributions to that search. Shehadi looks at the process of self-determination, and argues that it is "a dynamic process, not an end". Self-determination "makes the people the source of state sovereignty and thus implies a democratic form of government". This does not follow automatically from national independence, nor is national independence the only way to achieve it.

ETHNIC SELF-DETERMINATION AND THE BREAK-UP OF STATES
By Kamal S. Shehadi
IISS/Brassey's
£10/$17, 90 pages

NATION AGAINST STATE
By Gidon Gottlieb
Council on Foreign Relations
$22.95/14.95, 148 pages

NEW APPROACHES TO MINORITY PROTECTION
By Asbjorn Eide
Minority Rights Group
20+viii pages

But democracy is a necessary, not a sufficient, condition for genuine self-government. Where politics is polarised on ethnic or communal lines, majority rule gives ethnic minorities no say in how they are governed, unless there are special provisions to that effect. So Shehadi devotes much of his argument to recommending ways in which states can ensure that their ethnic minorities do *not* feel obliged to seek self-determination through secession.

There is thus a considerable overlap between his paper and the Minority Rights Group pamphlet by Eide, a Norwegian human rights specialist.

Eide's approach is more theoretical, Shehadi's more pragmatic. But both make a distinction between the "common domain" – decisions affecting all citizens, in which the minority must be given an effective share – and the "separate domain", where minorities can run their own affairs through autonomous institutions. Where the minority forms a local majority in a given region, autonomy can take the form of territorial "arrangements" (Shehadi) or "subdivisions" (Eide), in some cases extending even to a federal or confederal system – though this is often resisted by the majority, out of fear that it will lead to secession.

Shehadi also observes that self-determination has an "external" aspect – the right of a community "to shape its ties, legal and otherwise, with other political entities, be they sovereign states, ethnic minority groups or international organisations".

This thought is taken further by Gottlieb, a US lawyer, who proposes divorcing the idea of nation from that of state, so that "nations and peoples that have no state of their own can be recognised as such and endowed with an international legal status".

Such non-state nations could even, Gottlieb suggests, be associated with a "national home", which would sometimes stretch across state boundaries. An Irish national home, for instance, "could provide a framework for a new all-Irish national authority, with authority over matters of common concern to the republic and to the *Catholic* inhabitants in the North who wish to be included", but "would not affect the Protestant majority". Security would remain a British responsibility, but "it should be possible to construct arrangements to devolve jurisdiction over police matters, for example, to the local and sub-municipal levels".

That sounds uncomfortably like the "no go" areas of the early 1970s. But Gottlieb, to do him justice, is not claiming to have found the solution to conflicts as bitter and complex as that in Northern Ireland. He merely suggests a general approach which might help solve such conflicts, if and when the parties are genuinely anxious to do so.

The essence of this approach is that all power does not have to be vested in a single sovereign state. Power can be divided into functions and distributed among different authorities, with overlapping jurisdictions – as already happens in the domestic affairs of most states. Such ideas are valuable, but more likely to work *before* violence breaks out, or when there has already been a longish period of peace. The power of the gun is the least easy to share, and the scope for ingenious power-sharing arrangements is much reduced when people are genuinely in fear of their lives. All that matters then is Lenin's question, "Who Whom?", or Humpty Dumpty's "Who is to be master?"

Edward Mortimer

THE FT INTERVIEW: Sir Patrick Mayhew

Long haul across Ulster's quagmire

The stage this week has been held by Mr Gerry Adams. His visit to New York was a formidable coup for the man who has long cultivated an image as the respectable face of IRA terrorism. The often naive questions from the US television interviewers who fêted the president of Sinn Féin during his 48-hour trip to New York were a gift to such an accomplished propagandist.

So if the public reaction of the UK government to President Bill Clinton's decision to grant Mr Adams a visa has been restrained, the private anger has been real. Efforts to end the conflict in Northern Ireland do not sit easily alongside appeasement of Irish-Americans in Boston and New York.

In any event Mr Adams's US trip has done nothing to change the realities of a conflict which has claimed more than 3,000 lives in 25 years. Even as he was appealing in New York for "peace", the IRA fired a 150lb mortar bomb at British troops. Nobody was killed. But it will not be long before the bombs and bullets – from loyalist as well as republican paramilitaries – add more names to the death roll.

Sitting in his elegant office in Belfast's Stormont Castle, Sir Patrick Mayhew, the Northern Ireland secretary, was concerned with these realities.

In an hour-long interview he insisted the Anglo-Irish declaration signed in December by Mr John Major and Mr Albert Reynolds, the British and Irish prime ministers, would in the end provide the basis for durable peace.

Sir Patrick refused to speculate publicly on the odds of an early end to the violence, but he gave the impression of a man preparing for the long haul. Intelligence reports on his desk almost certainly confirm the competing doves and hawks in the IRA have decided for the time being to put internal unity ahead of peace.

Sir Patrick's message was that, whatever the IRA does in the short term, the joint principles laid down in the declaration are inviolable.

The two governments had spelt out that Ulster could not be coerced into a united Ireland. Nor would Britain take on the role of a "persuader" in seeking to break the province's links with the rest of the UK. But it would not stand in the way of Irish unity if that was ever the democratic wish of a majority in the north.

As Sir Patrick put it: "Each government has shown that it understands and accepts the validity of the aspirations of each side in the divided community... each government has agreed that the future of Northern Ireland will be decided by the wishes of the people living in Northern Ireland. And that is terribly important."

The republican charge that Britain is an imperialist power was no longer sustainable. Northern Ireland is no Gaza strip or Cyprus, where people are denied access to the ballot box.

Despite Mr Clinton's decision this week, Sir Patrick is convinced that agreement between London and Dublin on the province's future will lead to progressive international isolation of the IRA.

Meanwhile, the two governments would give impetus to efforts to reinstate devolved administration in Northern Ireland and to enhance co-operation between north and south.

Sir Patrick will table within two weeks an outline plan for a new political settlement. The plan – to be presented to the Ulster Unionist party, the mainly-Catholic Social Democratic and Labour party and the non-sectarian Alliance party – will centre on a new devolved assembly in Ulster.

It will also include proposals for a number of cross-border executive boards with responsibility for such areas as tourism and the environment. Rev Ian Paisley's hardline Democratic Unionist party will be invited back to the table.

Together these proposals make up strands one and two of the so-called three-stranded search for a comprehensive political settlement. Strand three, as it is known, is concerned with updating the 1985 Anglo-Irish agreement between the two governments.

Sir Patrick cleared up once and for all the government's position on Mr Adams's repeated demands for clarification, negotiation (call it what you will), of the Downing Street text. He will not get it.

Tony Andrews

Northern Ireland secretary Sir Patrick Mayhew: 'Delicate process'

Mr Adams wanted a place at the table before the IRA had stopped its killing: "It is entirely clear what he wants is a renegotiation of the declaration... And we are not going to do it."

'Sinn Féin have the key. The key is this: their ability to give up violence'

There was "a place and time for negotiation about the future of Northern Ireland – its status and everything else to do with it. That place and time is during the talks from which nobody is excluded except those who say: 'We wish actually to fortify our arguments with bombs'".

Mr Adams knows it and, in Sir Patrick's judgment, is playing for time.

Nor will a temporary truce do: "The government will not negotiate with Adams or anyone else unless and until they have permanently ended violence or permanently ended the justification for violence. I have made that clear time and time again. So have the Irish. There is no daylight between us on this."

The reasoning is obvious: "If you negotiate with people who want a united Ireland... in those circumstances [of continuing violence] it would undercut fatally other nationalist politicians who accept the disciplines of constitutional politics." For other nationalist politicians you can substitute Mr John Hume, the SDLP leader.

It is Mr Adams and his allies, not the British government, who have it within their power to bring peace. "The right analogy seems to me to be this. Sinn Féin have the key. The key is this: their ability to give up violence... if they put it in the lock now and turn it, consequences follow which have been spelt out." But either way the declaration will remain on the table: "The lock is not going to be changed."

Nor will the two governments allow Sinn Féin to paralyse the search for a political settlement: "The joint declaration is not a substitute for the [political] talks process. It complements it. But it is not a substitute for it."

So after months of tortuous negotiations, Sir Patrick will table what he calls a "framework of ideas" to secure agreement among the province's constitutional parties on strands one and strand two.

He is under no illusions that progress will be rapid: "It's a delicate, slow, pragmatic process." A previous attempt to secure agreement broke down in acrimony in 1992. For the time being at least the discussions will continue on a bilateral basis with each party.

The moderate Ulster Unionists led by Mr James Molyneaux want a devolved assembly but they are not interested in enhanced co-operation with Dublin. The DUP, which walked out of the talks to protest against the joint declaration, has yet to agree even to join discussions.

Mr Molyneaux must be kept on side. Mr John Major's government depends upon his support. So Sir Patrick is adamant that there can be nothing in strand two (structures for cross-border co-operation) which the unionists might condemn as representing joint authority between London and Dublin over affairs in the province.

But the constitutional nationalists represented by Mr Hume are only interested in devolution if it is slotted into the context of much closer co-operation between North and South. They must be given something if they are to sign up to an assembly. And so on – the complexities and complications are endless.

It will take months if not years to get within striking distance of an agreement. The whole process could yet founder on the prejudices and suspicions which scar the politics of Northern Ireland. Holding the present alliance with Dublin will not be easy if the IRA continues its campaign.

But in Sir Patrick's view there is no other route. For all his success in New York, Mr Adams, identified as a dove in the IRA power struggle which has followed the Downing Street declaration, knows it.

Philip Stephens and Michael Cassell

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

The flaw in local government argument

From Mr P Harford, Ms H Pearson and Ms K Kirkham.

Sir, Your leader, "The politics of local government" (February 2), accurately assesses many of the reasons why there is now so much hostility, both within Westminster and throughout the UK, to the local government review. There is no doubt that the business community is horrified by the proposals emanating from the Local Government Commission. There is equally no doubt that council taxpayers are becoming increasingly concerned at the costs they would have to pay.

However, your suggestion that halting the review nationally and limiting changes to a small number of areas, including Cleveland, offers the "best exit route" is indefensible. Such a move would almost certainly leave the government open to yet further legal challenges.

A central flaw in that argument is the myth, regrettably repeated in your comment, that the "new" counties such as Cleveland have "failed to win popular support" and, by implication, are therefore prime candidates for change.

The facts are that, on the evidence of the Mori polls carried out for the Local Government Commission, the level of public identity with Cleveland is actually higher than many so-called "traditional" counties, including Lincolnshire (where the commission is recommending the status quo of county and districts), Gloucestershire and Derbyshire.

In terms of "user satisfaction", an opinion poll carried out by Harris Research in 1992 showed no less than 79 per cent of residents satisfied with Cleveland's services, one of the highest figures recorded for any authority in recent years.

That does not mean we do not recognise the desirability of change – provided it produces better services, greater cost-efficiency and has the support of local people. A unified Teesside, with a second authority to recognise the unique sense of identity in Hartlepool, is the only option which can deliver those essential requirements. Teesside, by the way, enjoys an even higher level of public identity than the Yorkshire Ridings or Somerset.

But that is not what is being proposed by the commission. It has ignored the views of those in business, health, education, the voluntary sector and many, many thousands of Teessiders. Instead it proposes a costly, inefficient and unwanted division of services in England's smallest mainland county among four unitary authorities based on existing district boundaries. Your leader warned against "unviably small replacements", but that is what is being proposed.

On the basis of the commission's own estimates, such a disastrous proposal would involve transitional costs of between £13m and £18m, together with additional running costs of up to £10m a year compared with a united Teesside authority.

It would be a disgrace if this were imposed on the local community at the same time as the review was being shelved elsewhere. The interests of the people of Teesside should not be sacrificed simply in order to save face in Westminster.

Paul Harford,
leader, Labour Group,
Hazel Pearson,
leader, Conservative Group,
Kay Kirkham,
leader, Liberal Democrat Group,
Cleveland County Council,
Municipal Buildings,
Middlesbrough,
Cleveland TS1 2QH

No train to Normandy

From Mr P M O'Connell-Davidson.

Sir, Re Michael Thompson-Noel's Hawks & Handsaws column ("Tunnel of sighs", January 29/30), polar bears might well have strolled from Normandy to Kent during the last ice age. However, it is highly unlikely that the TGV, en route to the Channel tunnel, and at any given speed, will ever reach the Normandy coast.

The French tunnel terminal is at Sangatte, which is in the "région" of Nord-Pas de Calais. Readers wishing to stroll or drive directly from Kent to Normandy should be advised to wait for the next ice age.

P M O'Connell-Davidson,
664 rue de la Montagne,
60650 Ons en Bray,
France

Essential for prayers

From Mr William Sullivan.

Sir, Tardily, but enthusiastically, I congratulate your paper on the inspired article, "Back to front basics" (January 15), by the Rt Rev Hugh Dickinson, Dean of Salisbury.

The brilliant summation of the "systemic malaise" of the Thatcher years and his call for the "moral reconstruction" of our society should be essential memoranda in the evening prayers of our fallible political masters, especially of my fellow Catholic, Mr John Patten, who is striving so hard to destabilise the democratic checks and balances in the education service.

William Sullivan,
12 Bolsover Grove,
Merstham,
Redhill,
Surrey RH1 3NU

Crucial word missing on China

From Mr Keith Flett.

Sir, While I found your article on the fortunes of Chinese industry interesting ("Long leash for a runaway economy", February 2) it seemed to miss out one key word: democracy.

Or are we still at the stage where we only criticise the human rights abuses of those countries with which we do not wish to do business?

Keith Flett,
53 Mitchley Road,
Tottenham,
London N17 9HG

A risky strategy and threat to Japanese partnerships

From Mr D R G Andrews.

Sir, BMW's acquisition of Rover is a bold and imaginative strategy to hit three birds with one stone: to acquire Land Rover 4x4 technology, products and markets, and to stuff its two principal global competitors, Mercedes Benz and Honda. If Rover can be successfully assimilated it will be a remarkable coup.

However, it needs to be recalled that research demonstrates, and experience in this industry more than confirms, that the success ratio for mergers and acquisitions is no better than one in two. Also, BMW has got to where it is today by the successful management of organic growth, not through acquisition.

Time alone will tell if BMW's top management can successfully manage this, its first, acquisition without squandering the opportunities it clearly presents or doing serious damage to Land Rover, one of the UK's incontestably world-class businesses.

D R G Andrews,
(chairman, Land Rover Group 1982-86),
Gainford,
Mill Lane,
Gerrards Cross, Bucks SL9 8BA

From A G Foulkes.

Sir, British Aerospace may well be crowing at the sale of Rover to BMW. Corporate Britain, however, should be far more apprehensive.

Corporate Japan views its long-term corporate partnership arrangements very, very seriously and Honda has surely honoured its part in the resuscitation of Rover from a basket-case to where it stands today.

It may therefore be a long time before any other corporate giant in Japan signs a similar, so-called long-term partnership agreement with any other flagship of British industry.

A G Foulkes,
11th floor,
Jade House,
47C Upper Stubbs Road,
Hong Kong

From Dr M N Graham Dukes.

Sir, What people seem to be forgetting is that Britain is still, after 90 years, building the best car in the world. Thank heavens for the people at Crewe.

M N Graham Dukes,
Faculty of Medicine,
University of Groningden,
The Netherlands

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday February 3 1994

Europe's next flashpoint

With the election of Mr Yuri Meshkov as president of Crimea, Ukraine has taken another step towards the fate of Croatia. Crimea stands in relation to Ukraine much as the enclave of Knin did to Croatia in 1990. For Serbs, read Russians.

Mr Meshkov, an ethnic Russian like 70 per cent of the Crimean population (a figure ominously close to the 73 per cent of the electorate which voted for him last Sunday), favours reuniting Crimea with Russia, from which it was severed administratively when Khrushchev transferred it to Ukraine in 1954, and politically when the Soviet Union broke up into its constituent republics at the end of 1991. He has toned down his rhetoric on this point, to avoid an immediate confrontation with the Ukrainian authorities, but is still planning to hold a referendum in March on "an independent Crimea in union with other CIS states", a move which Ukraine's President Leonid Kravchuk regards as unconstitutional.

Ukraine has treated its ethnic minorities, including Russians, much more tactfully than Croatia did its Serb minority. So far Russians elsewhere in Ukraine are not emulating those of Crimea, and even in Crimea there has as yet been mercifully little violence. But the potential for clashes is very great. if Mr Meshkov tries to set up his own militia, or if Ukrainian national guards try to stop him going ahead with his referendum. Russian troops belonging to the Black Sea fleet in Sebastopol might all too easily become involved, as other Russian units have in comparable struggles in Georgia and Moldova.

Underestimate

The previous Russian parliament laid formal claim to Crimea as Russian territory, and the new one is hardly likely to be less nationalistic. Indeed, few Russians of any political persuasion seem to regard Ukraine's independence as serious or permanent. Most dangerously, many seem to underestimate both the capacity and the willingness of Ukraine's armed forces to fight.

Talk of war "between two nuclear powers" may be excessively alarmist, since Ukraine is not really a nuclear power. The ex-Soviet strategic weapons still based on its territory are pointed at US targets and controlled by Moscow, if anybody. Even so, war between Russia and Ukraine would be a much more serious affair than the wars we have seen so far in Moldova, Transcaucasia or even Yugoslavia. It could involve very large forces, causing hundreds of thousands of deaths and many millions of refugees. It would create a feeling of acute insecurity throughout central Europe, and almost inevitably mark the beginning of a new cold war between Russia and the west – a cold war perhaps even more dangerous than the last, with Russia under less stable and more openly nationalistic leadership.

Ukraine's frontiers

Western governments should be doing everything possible to avert this prospect. An outright guarantee to come to Ukraine's defence against Russia would hardly be credible, but they should make it clear that they would not turn a blind eye to any violation of Ukraine's frontiers. Russia itself has repeatedly recognised those frontiers – most recently in the tripartite agreement between Presidents Clinton, Kravchuk and Yeltsin on January 14, under which the remaining missiles in Ukraine are to be dismantled. Intervention by the Black Sea fleet or any other Russian units in internal Ukrainian fighting would clearly infringe that agreement.

If Russia expresses anxiety about the fate of ethnic Russians in Crimea or elsewhere, the west could offer a preventive deployment of UN forces. Such a deployment has helped stabilise the situation in Macedonia.

But the west would also have to make it very clear to Ukraine that western support is conditional not only on the Ukrainian parliament ratifying the tripartite agreement, but also on it adopting policies which can unite Ukraine's people, regardless of nationality. There is just a chance of that happening if the elections in March produce a parliament in which western nationalists and eastern economic reformers work together, accepting that Ukraine can be independent and yet retain close economic and cultural ties with Russia. The relationship between Austria and Germany provides a possible model.

A better deal for car buyers

Few issues excite fiercer controversy between European consumers and producers than the workings of the new car market. This month, battle will be renewed when the European Commission considers whether the motor industry's distribution arrangements should continue to be exempted from EU competition rules.

The current nine-year-old system, due to expire next year, grants car makers a degree of control over distribution which would be illegal in other industries. They are free to decide which dealers they supply, the sales territories they serve and the number of cars they sell, and to prohibit them from stocking rival brands.

Car manufacturers want the system extended and appear to have the support of Mr Martin Bangemann, the European industry commissioner. They argue that the arrangements are necessary to persuade dealers to invest in sales promotion and in the facilities needed to provide reliable after-sales service and maintenance.

Mr Bangemann also has his own agenda. The industry's tight grip on distribution offers a convenient way of administering the EU's "transitional" curbs on Japanese car sales by keeping deliveries to individual countries within agreed limits. In effect, Brussels is preaching a single market while allowing it to be segmented by the back door.

Aligned against the system are the Commission's competition directorate and consumer groups, which argue that the costs to car buyers far exceed the benefits. In spite of efforts by Brussels to simplify "parallel imports" across borders, critics say the distribution arrangements impede trade and perpetuate price differentials between EU members.

Greater choice

In weighing their decision, the 17 commissioners need to keep two points clearly in mind. One is that the existing arrangements look archaic, at best. When the emphasis in most of retailing is on greater choice and convenience, it is hard to justify "exclusive" dealerships restricted to one brand. The much-increased reliability of modern cars also weakens the case for restricting servicing to franchised dealers, which surveys have in any case found to perform no better than independent garages. Nor does manufacturers' defence of the dealership system square with their increasing tendency to sell direct to fleet operators – a practice blamed for inflating prices for individual buyers.

The second point is that conditions in the European car industry have changed radically since the existing exemption was granted. Competition has grown much fiercer and the pace of restructuring and product innovation is accelerating. Furthermore, the EU is committed to a barrier-free car market by 1999, when curbs on Japanese car sales are due to be abolished.

Biggest anomalies

It is against this perspective that the future of car distribution arrangements should be judged. Any further exemption from competition rules should not extend beyond the end of the decade and should be modified to remove its biggest anomalies.

The most obvious is the exclusive dealership provision. There is a case for requiring franchised dealers to meet certain standards. But this is best achieved by setting objective criteria and obliging manufacturers to supply any dealer who satisfies them.

Another positive step would be to allow distribution and sales to be performed separately from servicing. The main argument for keeping them integrated is that it enables dealers to cross-subsidise between the two activities – a practice not obviously to consumers' advantage.

Finally, the Commission should ensure that its efforts to encourage "parallel imports" really bite. These provide the strongest incentive to move towards the harmonisation of car prices across the EU which will follow from the creation of a true single market.

Manufacturers will undoubtedly protest against any change in the existing system while they are beset by weak demand, excess capacity and the impact of violent currency fluctuations. However, the Commission should make it clear that their long-term interests are best served not by throwing them another lifebelt, but by helping them better to swim.

'Twere well it were done quickly

A timely increase in US interest rates could safeguard long-term economic growth, says **Michael Prowse**

Mr Alan Greenspan, the Federal Reserve chairman, has put the world on notice. It is no longer a question of whether US short-term interest rates are going up, but when.

By referring on Monday to current rates as "abnormally low" and by talking of the need to move to a "more neutral stance", he may appear to have left his options open. But for Mr Greenspan, a master of opaque language, this was clarity itself. In congressional testimony this week he was sending the White House and financial markets an unmistakable signal. For the first time in five years, the direction of US monetary policy is changing: the Fed, the US central bank, is preparing the ground for an increase in short-term interest rates.

The discount rate was last raised – from 6.5 per cent to 7.0 per cent – in February 1989. The key federal funds rate – the rate at which banks borrow from each other – peaked at just under 10 per cent in March 1989. By the late summer of 1990, when the economy slipped into recession, the fed funds rates had been cut to just over 8 per cent.

The following two years saw a sharp decline in the cost of money, with the discount rate – the largely-symbolic rate at which banks can borrow from the Fed – and the fed funds rate falling to 3 per cent by September 1992. Official rates have not moved since – the longest period of stability since 1945.

But nothing lasts for ever. This April will mark the third anniversary of the end of what was, in retrospect, a mild recession. The economy is now growing strongly. In the fourth quarter of last year real gross domestic product grew at an annual rate of 5.9 per cent. Nobody expects that supercharged rate of expansion to be sustained.

Indeed, in the short run, the Los Angeles earthquake and exceptionally cold weather last month may artificially depress spending and production. More relevant to the Fed is that the annual rate of growth has averaged nearly 3.5 per cent for two years. And far from slackening, the recovery still appears to be gaining momentum as the benign effects of lower long-term interest rates spread through the economy.

But why should the Fed regard robust growth, in itself, as a pretext for raising short-term interest rates? Isn't President Bill Clinton right to argue that, since inflationary pressures are subdued, there is no need to tighten monetary policy and risk choking off the recovery?

The Fed concedes that inflation to date has been well behaved. The "core" consumer price index (which excludes volatile components such as food and energy) was up only 3.1 per cent between the fourth quarters of 1992 and 1993, the lowest annual increase since the early 1970s. The fixed-weight GDP deflator (a broader and probably more accurate guide to underlying inflation) rose at an annual rate of just over 2 per cent in the second half of last year. Unit labour costs are also rising at about this rate, reflecting the positive impact of unusually strong productivity growth.

But Mr Greenspan does not regard the current inflation rate as an appropriate guide to monetary policy for two reasons. First, interest rates were cut to the unusually low level of 3 per cent – effectively zero in real terms – for a specific reason: to ease enormous strains on the balance sheets of banks, companies and households following an unsustainable build-up of debt in the late 1980s and a subsequent weakening of real estate prices. For a couple of years, the financial health of the US banking system was in the balance.

Today, US banks are highly profitable, having restored their capital ratios to prudent levels. Companies and households have reduced their debt burdens and are borrowing again. It is difficult to argue that the monetary accommodation essential during the "credit crunch" is still appropriate.

Mr Greenspan's second argument for higher rates is that inflation is a lagging indicator. He told Congress: "By the time inflation pressures are evident, many imbalances that are costly to rectify have already developed, and only harsh monetary therapy can restore the financial stability necessary to sustain growth. This situation regrettably has arisen too often in the past." In other words, the Fed wants to stay ahead of the game.

Mr Clinton's observation that inflation is not now a problem is thus beside the point. Since changes in monetary policy take effect over a period of 12-18 months, the Fed has to consider the outlook for inflation in the second half of next year. If growth continues for another 18 months at the 3.5 per cent registered in the past two years, capacity constraints probably will be biting by then, causing quite strong upward pressure on US domestic prices and wages, regardless of what is happening in the rest of the world.

This could be so even if corporate restructuring has raised the US's long-term potential rate of growth. Conventional estimates suggest the potential growth rate is 2.0-2.5 per cent. This may be too pessimistic, but no credible forecaster believes it is more than 3 per cent. Excess capacity is thus disappearing.

If the Fed does tighten policy, it will not be trying to choke off recovery but rather to safeguard what many observers (including Mr Greenspan) describe as the most promising long-term economic outlook in two or three decades. The US is enjoying a spontaneous business-led recovery. Because the federal budget deficit was so large at the end of the 1980s, fiscal reflation was not an option for either the Bush or Clinton administrations.

Private capital formation rather than government purchases or consumer spending is thus at the cutting edge of this recovery. Last year business fixed investment rose 15 per cent in real terms – and it was not all computers. Excluding computers, business investment rose 8 per cent in real terms. Since the end of the recession, investment has contributed a larger share of economic growth than in any upturn in the past 30 years. The restoration of "animal spirits" reflects the decline in long-term interest rates which in turn reflects the drop in inflation expectations since the late 1980s, supported by the Clinton administration's efforts to cut the federal deficit.

The still imponderable question is how soon and how aggressively the Fed will raise rates. One view is that Mr Greenspan would not have sent so clear a signal if the Fed were not planning early action, perhaps soon after the meeting today and tomorrow of the Federal Open Market Committee, the Fed's policy-making body.

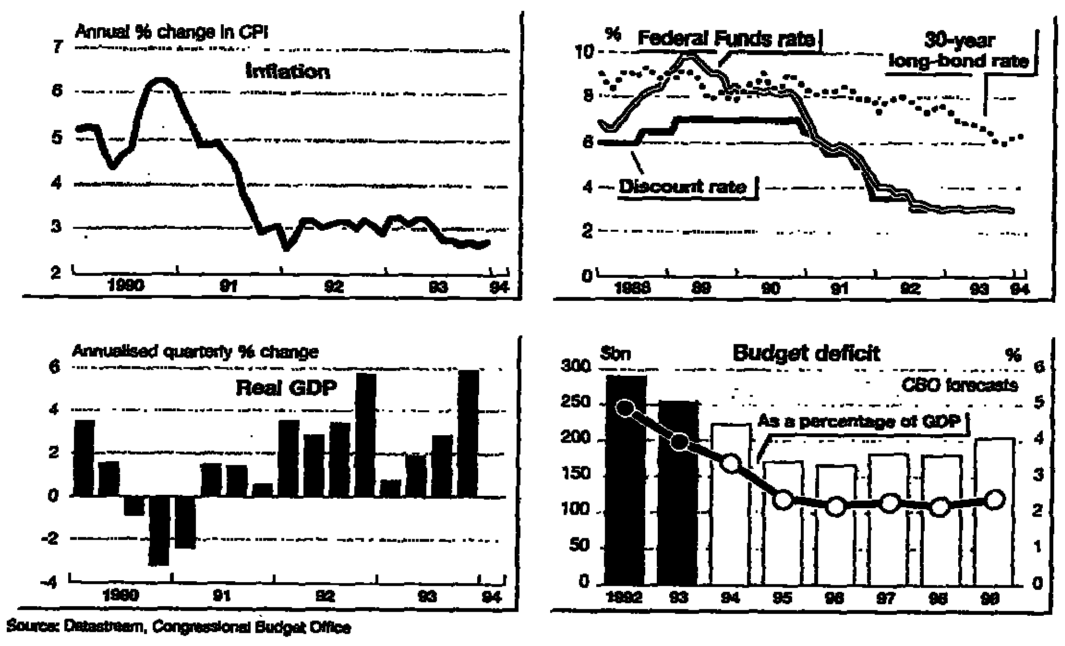
But the consensus view on Wall Street is that the Fed will not act until March or April. Long-time observers of the bond market, such as Mr Henry Kaufman, believe Mr Greenspan lacks an immediate justification for action and is in only the early stages of a process of "conditioning" US politicians to the need for higher rates. On this view the Fed will issue several further warnings and quite possibly delay action until well into the second quarter.

Since the risk of a surge in inflation is slight, it seems safe to assume that any increase in rates will be gradual. Mr Greenspan was a "gradualist" during the recession, favouring quarter- or half-point cuts in rates. He is likely to favour the same strategy on the way up. And his influence on timing may be enhanced by the vacuum created by the unexpected resignation this week of Mr David Mullins, the Fed vice-chairman. There are now two vacancies on the Fed's seven-member board and Mr Clinton is notoriously slow in making appointments.

The timetable of rate increases, of course, will depend on trends in inflation and in the real economy. But a reasonable expectation is that short-term rates will rise to 4 per cent by the end of this year and 5 per cent by the end of 1995.

One prediction seems safe. The sooner the Fed acts, the smaller will be the overall increase in interest rates in this economic cycle. This is because early action would nip inflationary pressures in the bud. If action is timely, the impact on long-term rates and hence on business investment will be modest. And the healthy expansion now under way could then be sustained for several more years.

US economy: interesting times



Source: Datastream, Congressional Budget Office

A perverse loss of local knowledge

PERSONAL VIEW

"The holistic planner overlooks the fact that it is easy to centralise power, but impossible to centralise all that knowledge ... necessary for the wise wielding of that centralised power ... [so] the greater the gain in power, the greater will be the loss of knowledge" – Sir Karl Popper, philosopher, *The Poverty of Historicism*.

It is a nice irony that those in Britain who have been among Popper's greatest disciples should now be so deaf to his injunctions. It was one such, Michael Heseltine, who in 1979, when he was environment secretary, pledged "to sweep away tiresome and excessive control over local government". But 14 years later, with the passage of 144 separate acts of Parliament, each shifting power from town hall to Whitehall, the Conservatives have created the most centralised system in western Europe.

Government orders to be pushed through the Commons today will turn the screw on councils still tighter.

The system is cumbersome, inefficient and unfair. It has led to the gratuitous loss of services and jobs in many boroughs, particularly those in urban areas, which have had their budgets forced well below the level necessary to maintain a decent level of service.

But there are also councils whose budgets have been forced above the levels which local councillors – and electors – thought appropriate. In January 1993, Ernest Mallett, Conservative leader of the Elmbridge District Council in Surrey, described the capping system as a "joke" which encouraged councils to "spend up". He added: "If there were no capping, our spending would probably be about £1m lower."

As Popper said, the greater the centralised power, the greater will be the loss of knowledge. Ministers cannot know what the priorities should be in every community across the land. So to establish a consistent system of budget control, the judgments of 24,000 councillors in 400 councils have to be reduced to a mathematical formula.

But there are no data, and there is no algebra, which can do this fairly or sensitively. Trial and error is used, producing the most preposterous results. Oxford is declared to be more deprived than Liverpool, Bournemouth has worse social conditions than Barnsley. The formulae are then "massaged", "damped".

Budgets have been forced well below the level necessary to maintain a decent level of service

and leeway has to be built in to avoid, in particular boroughs, a melt-down in public services (which not even social security secretary Peter Lilley would contemplate).

It all ends with a circumstance stunningly reminiscent of 1970s incomes policies, so despised today. In place of discretion, or negotiation, there is a national "going rate" and electors are denied choice. As Sarah Whitehouse, a delegate to the Conservative party conference in October, put it: "Under rate capping [sic], you can't tell the difference between Labour and Tory."

Furthermore, the overall effect on public spending is perverse. In the words of Tony Travers, author of a London School of Economics study, budget capping has "led to higher spending by councils, the opposite result to that intended".

So what should replace this apology for a system? First, central government should cease trying to control what local councils spend on current services from their own local tax base. Just five years ago, this was John Major's policy. As the then chief secretary to the Treasury, he published the quaintly titled white paper, "A New Public Expenditure Planning Total". In this, he said that mixing central government spend with local council self-financed expenditure "blurs the status of the various aggregates". So he proposed that, in future, the Treasury's planning total should include only central government grant to councils, and exclude locally raised revenue. The policy lasted for about six months, but the case is as strong as ever.

Second, councils' tax base should be broadened to include revenue from the business rate. Today, the council tax raises just 20 per cent of total spend. Third, the central government grant which each council receives should be cash limited.

Fourth, annual elections, with a third of councillors retiring each year, should be introduced in every council area. London local democracy is far less effective than in, say, my constituency of Blackburn, where an election is never more than months away. Annual elections would also produce greater continuity and stability in councils.

Then the electors would be able to exercise power, with knowledge. To the extent that the chancellor either knew or cared about local councils' self-financed expenditure, he would probably find that over time its trend was lower than if he had continued to interfere in it.

Jack Straw

The author is the UK shadow environment secretary

OBSERVER

The wisdom of Salomon

■ Long-Term Capital Management, the new high-tech US money management firm led by ex-Salomon bond trading chief John Meriwether, has bagged a big fish in David Mullins, the Federal Reserve's vice chairman.

LTCM is currently trying to raise several billion dollars from investors to start trading complex financial instruments, using fancy computer-driven arbitrage strategies. At LTCM, Mullins will be working with a team of ex-Salomon mathematical geniuses, who earned vast salaries during the late 1980s and early 1990s, while generating huge profits for their employer.

Vastness of salary is believed to be one of LTCM's attractions for Mullins; he clearly needs a raise after surviving on his meagre $123,100 Fed annual salary.

The Mullins recruitment has nevertheless raised some Wall Street eyebrows. The reason is that Meriwether was one of the top managers at Salomon forced to resign in 1991 for failing immediately to report to the authorities that they knew their traders had been falsifying bids in billion-dollar Treasury bond auctions. Among those authorities not informed was the Fed – where Mullins was already working.

Maybe Mullins has jumped prematurely – LTCM has yet to open for business. It's hoping to have raised its first $1bn package by the end of February provided that it can reassure potential investors that it can earn its reportedly generous fees.

Spin dried

■ This really hasn't been Hoover's happiest 12 months. First it resolutely dug itself into a public relations disaster over its free flights fiasco – there are thought to be as many as 200,000 disgruntled UK customers.

And as if that weren't enough, the Consumers' Association now reckons that a Hoover washing machine is twice as likely to need repair in its first five years as the most reliable brand on the market, made by AEG. Maytag, Hoover's US owner, must know what it feels like to be hung on the line.

Pick 'n' mix

■ What joy it is to belong to the Church of England, where theological beliefs are as easily replaced as a pair of trousers. Clearly Durham is the place, if one wishes to be at the cutting edge of conviction.

Recently we had the Right Reverend David Jenkins as Bishop of Durham; he told us he did not believe in the resurrection – though it was "much more than a conjuring trick with bones" he thought.

Now we have as his successor the Right Reverend Michael Turnbull, who says he believes in the resurrection and Virgin Birth but not the Three Wise Men. He's also not sure about eternal damnation. Presumably he will wait and see.

'It's an end of the special relationship commemorative mug'

Salty dogs

■ When you make a television documentary about the Royal Marines, the language is likely to be on the strong side. Westcountry's series – Commando – was larded with expletives, but since it was originally shown at 10.40 pm on regional TV, it easily passed muster. The problem comes when sensitive programmes are broadcast before the witching hour – 9 pm – when children are deemed to be asleep.

The ITV network now plans to show Commando nationwide, starting on February 17. But in order to put it out at peak family time – 8.30 pm – Westcountry had to cut the blasphemies and substitute bleeps and baas; so many of them were required that the commandos sound like little lambs.

Now ITV has unexpectedly rescheduled the series to 9.30 pm, when military bluntness is once again acceptable. So will our brave boys see their own rich dialogue restored? This calls for strategic planning ...

World servicing

■ The BBC World Service, which has probably reported more revolutions than anybody, seems on the brink of one of its own. Sam Younger, 42, has been given the new job of director of broadcasting. Moreover, the World Service is about to be split into six regions, replacing the current divide between those who speak English and those who don't.

The intention is to make the service more user-friendly. Maybe fans will no longer have to tune in at 3 am to catch a favourite programme. Even so, some old World Service hands see the idea of giving listeners what they want, when they want it, as a bit too commercially minded.

Younger – who will be effective number two to BBC World Service managing director Bob Phillis – should be able to handle any flak. It runs in the family; his father was a former Labour MP and big wheel in Chatham House while his cousin, Royal Bank of Scotland chairman Lord Younger, is a former Tory cabinet minister.

My word is my...

■ Is this a case for Sweden's consumer ombudsman? The most prestigious of the country's banks, Skandinaviska Enskilda Bank, which just a year ago was on the verge of having to call on the state to rescue it, is running full-page advertisements in the Swedish newspapers urging the public to buy its own bonds.

"Bonds," runs the text, "are the safest way there is of investing your savings." Fair enough, if this means gilts or mortgage bonds. But Skandinaviska's bosses should know that an investment in corporate bonds is only as safe as the company which issues the bonds.

Hold on

■ What do you get if you dial 666? The Australian police.

FINANCIAL TIMES
Thursday February 3 1994

UK seeks to regain initiative on N Ireland with new peace plan

By Michael Cassell in Belfast and Philip Stephens in London

The British government will within the next two weeks bring forward fresh proposals for a new political settlement in Northern Ireland in a move calculated to wrest back the initiative from Sinn Féin.

As the government stepped up its efforts to limit the impact of this week's highly publicised visit to the US by Mr Gerry Adams, Sinn Féin president, Sir Patrick Mayhew, Northern Ireland secretary, said he would put forward fresh ideas for devolved government in the province and formal mechanisms for cross-border co-operation.

Sir Patrick, in an interview with the Financial Times, repeated the invitation to Sinn Féin to enter exploratory discussions within three months of a permanent end to violence.

But he strongly rejected accusations from some Ulster politicians that the government was dragging its feet on the parallel search for a political settlement. He said the talks process was "alive and well" and ready to move into higher gear.

His remarks came amid growing signs of impatience at Sinn Féin's position from Mr Albert Reynolds, the Irish prime minister. He said yesterday: "I have spent some time now in giving out an abundance of clarifications and I think the time is coming when I expect to get some clarification in return".

Sir Patrick emphasised the planned framework for a political settlement would simultaneously involve both the so-called "strand one" discussions – on internal political arrangements for the province – and "strand two" – the relationships between the province and the Irish Republic.

The province's constitutional parties now wanted to see "focus and direction" given to talks which so far had been exploratory and disparate, he said. They would continue on the same bilateral basis as the discussions suspended at the end of 1992. Round-table talks, he added, were not yet wanted by any of the participants. The hard-line Democratic Unionist party, led by Rev Ian Paisley, has said it will not rejoin bilateral or round-table discussions if meetings continued between Sinn Féin and the Social Democratic and Labour party.

The devolution plans embrace proposals for a new assembly, which has already attracted some measure of agreement between the parties. Sir Patrick emphasised that both governments were anxious to see a return to devolved government in the province.

But he also moved to reassure unionists that talks about cross-border co-operation, including the possible establishment of new executive boards, would not involve any joint authority. He said: "Joint authority over Northern Ireland is not on at all. Nobody is going to pretend that the majority of people living in Northern Ireland are going to agree to joint authority."

He emphasised, however, that there were many opportunities for acting together in areas such as tourism and the environment. Formal structures could be created, he said, which "would not impinge on sovereignty in the slightest degree". But he refused to put any timescale on the talks, claiming a hurried approach would be counter-productive.

Downing Street yesterday accused Mr Adams, who returns home today of laying a "smoke-screen of evasions and falsehoods". It welcomed President Bill Clinton's call for Sinn Féin to support the joint declaration, which it said showed the US administration was not going to be "sidetracked" by Sinn Féin. It was made clear the president's statement followed intense lobbying in London and Washington.

Mayhew interview, Page 13
Anger over Adams, Page 8

Clinton to rule on Vietnam embargo

By George Graham in Washington

President Bill Clinton said yesterday he would decide "within the next several days" whether to lift the 19-year-old US embargo on trade with Vietnam.

Virtually all Mr Clinton's advisers are urging him to resume trade links with Vietnam, and the US Senate last week backed the president by voting heavily in favour of a resolution urging an end to the embargo.

But to do so would mean incurring the hostility of veterans' organisations and groups representing the families of servicemen listed as missing in action (MIAs) during the Vietnam war. Mr Clinton – to the ire of many veterans – evaded military service in Vietnam.

The US embarked three years ago on a slow journey towards normal relations with Vietnam. The Bush administration offered the Hanoi government a "road-map" linking economic and diplomatic concessions with progress towards the establishment of a peacefully elected government in neighbouring Cambodia and full accounting for MIAs.

A new Cambodian government is now in place – fulfilling the fourth and final phase of the US roadmap – and Vietnamese co-operation in tracing the remains of MIAs has been excellent, according to the US task-force in Vietnam. But the US still has not lifted its embargo, foreseen in phase three, let alone resumed normal economic and diplomatic relations, as laid out for phase four.

"The roadmap policy for normalisation established by the Bush administration was intended to answer the charge that the US was always moving the goalposts for normalisation. It would be unfair, and beneath the dignity of the US, to do so again," said Senator John McCain, a decorated Navy pilot who was a prisoner of war in Vietnam and one of the leaders behind last week's Senate resolution.

Mr Clinton last year dropped US opposition to Vietnam's reinstatement as a member of the International Monetary Fund and the World Bank, and US companies are now allowed to bid on projects sponsored by the multilateral development banks. More than 30 have opened offices in Hanoi or Ho Chi Minh City.

US companies are champing at the bit as Japanese, South Korean, Australian and French competitors take advantage of what many see as potentially one of Asia's most promising market opportunities.

But many businesses believe there is still time to catch up.

"American businesses have clearly been disadvantaged by the embargo, but Vietnam has not fully taken off. It is not yet an opportunity lost," said Mr Gregory Fager of the Institute for International Finance, a Washington association that provides economic analysis to member banks in 38 countries.

European privatisations help boost UK investment trusts

By Bethan Hutton in London

Two UK investment trusts specialising in European privatisation stocks look likely to set new records for investment trust launches, and could raise more than £1bn ($1.5bn) between them.

The public offer for the Kleinwort European Privatisation Investment Trust closed yesterday, and is thought to have put the fund at or near its maximum size of £500m, after £320m was raised through an institutional placing in January.

The placing for the Mercury European Privatisation Trust closed yesterday, having also raised in the region of £320m. The maximum size for the fund is likely to be set at more than £500m, to allow for heavy demand expected during the public offer, which opens today and closes on March 2.

The previous record for an investment trust launch was set last December by another Mercury fund, the World Mining trust, which raised £425.8m.

Low interest rates are driving UK investors into equity investments. Many remember the profits from domestic privatisations in the 1980s, and although European issues are not always as attractively priced, their share performance should benefit from improved efficiency over time.

The final result of the Kleinwort public offer was not available yesterday. But Kleinwort said demand had been "very strong", suggesting the maximum size of the fund had been reached and that applications may be scaled back. The basis of allocations will be announced today.

Both trusts plan to take advantage of extensive privatisation programmes in France, Spain and Italy over the next few years. They will also buy shares in recently privatised companies, including in the UK, if there are efficiency gains still to be made.

Mr Paul Harwood, manager of the Mercury fund, described it as a specialised European recovery fund. He said that stagging new issues – buying during the initial offer and selling immediately for a profit – was not an important part of the fund's strategy. Most holdings would be longer term.

London stock market, Page 25

Renault cuts stake in Volvo

Continued from Page 1

tinue collaboration.

"We can understand why they have taken advantage of the positive development in our share price to sell part of their stake," he said.

However, industry observers said the sale confirmed that the two companies intended to maintain only a limited commercial relationship. "This is an almost inevitable step in the parting of the ways," said Mr Bob Barber, motor industry analyst at James Capel in London.

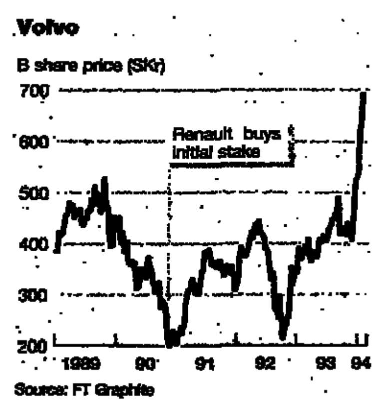
Last month Renault announced it had agreed with Volvo to dissolve combined purchasing and quality control organisations, which had been central to the merger strategy.

Volvo's B shares continued to rise yesterday, gaining SKr17 to close at SKr692.

THE LEX COLUMN

Buying Europe's silver

FT-SE Index: 3520.3 (+38.8)



Source: FT Graphite

Since privatisation issues have been a bonanza for many British investors, it is not surprising they are rushing to jump on the European bandwagon. The level of subscriptions to the privatisation trusts launched by Kleinwort Benson and Mercury Asset Management also reflects small investor frustration at the low return on cash and the difficulty, which evidently also besets large institutions, of securing an allocation of foreign issues as they come to market.

Doubtless European governments will have to offer attractive prices to get their sales away. Even £1bn of UK investment trust money pales almost into insignificance beside anticipated sales of up to £100bn. But the new trusts will not be able to make huge returns by cashing in on the new issue discount in every case, and they may not even try when the allocation process is so uncertain. Their approach is based much more on evidence that privatisation issues tend to outperform for some years as efficiency gains are realised. It thus makes sense for trust managers to buy outside the immediate sale.

That, though, raises the question of stock selection. UK investors who focused on British Steel, Rolls-Royce, and, until recently, British Aerospace, will not have enjoyed outstanding returns from privatisation. There will be dogs elsewhere in Europe too. Nor, given restrictive continental labour laws, may efficiency gains come through as quickly as in Britain. While attractive, these trusts are not a one-way bet. The point may be worth remembering if, as seems likely, they move immediately to a premium.

Renault/Volvo

After the acrimonious end to their merger plans, it was probably too much to expect Renault and Volvo to maintain the connections established during their courtship. The more ambitious collaboration schemes have already been abandoned. Renault's partial sale of its stake in Volvo begins the severance of financial ties as well. It is not yet clear how far this process will go. Disposal of its stakes in Volvo Car and Volvo Truck will be complicated. So will Volvo's disposal of its 20 per cent stake in Renault. Once the disentanglement has started, however, it makes sense, particularly for Volvo, to see it through.

Volvo's shares have risen sharply on relief that its recovery prospects will not be diluted by union with a Renault bogged down by the continental European automotive cycle. Volvo's main markets in Sweden, the UK and US are growing. With the benefit of the krona devaluation and its own cost-cutting, it can look forward to profits that do not make yesterday's close of SKr692 look expensive.

The shares have also been driven by the view that a policy of focusing on its basic automotive business will enable Volvo to dispose of activities into which it has diversified. For now, that may obviate the need for a rights issue. Volvo, though, does not have the resources to soldier on alone indefinitely. If Renault is not to be its automotive partner, it needs a clean slate to find another one. Opponents of the merger used to cite BMW as an example of a thriving independent car company with a limited model range. In buying Rover, even BMW seems to be admitting that scale is important.

Paramount

Paramount's immaculately timed profits warning should help focus the minds of investors now that the final takeover bids are in. Whatever the longer-term visions of Viacom and QVC, Paramount's short-term prospects fall well short of the mountainous price either seem prepared to pay. Paramount's shortage of hits continues, with Addams Family Values and the Major Dad television show failing to capture the imagination. The market's view was made clear from the strong rally in QVC shares once investors decided its bid was inferior.

Since cash will attract the arbitrageurs, it was curious that QVC chose to increase the cash element of its offer from $92 a share to $104, rather than matching Viacom's $107. Perhaps it was stretched, though it seems more likely that it is relying on the paper element of its bid to be decisive. That could be a mistake, as Viacom offers some guarantees for the value of the paper portion of its bid.

However, even these "final" bids may not be final, since the fiduciary duty of Paramount's directors could force them to consider further offers. And with the bids so finely balanced, neither QVC nor Viacom may have a majority of the shares by the deadline. If that happens the five-month saga will drag on. Perhaps then even litigious US investors may look fondly at the two-month sprint of the UK takeover system. UK shareholders, meanwhile, might wish that their informal code put the same pressure on companies to maximise shareholder value that the fear of the courts inspires in US directors.

Euro Disney

Euro Disney's first-quarter results offer few rays of sunshine for shareholders. The theme park's net loss climbed to FFr553m. And although Euro Disney has chopped costs, price-cutting has not yet pulled enough visitors through the Magic Kingdom's doors to prevent revenues falling 12 per cent. The auditors' report commissioned by lending banks seems unlikely to apportion any blame. So lenders will have to devise their own approach to dealing with Euro Disney's FFr20bn of debt. Some banks have already lost patience and are selling well below par. The growing restiveness among holders of Euro Disney's FFr4bn convertible bonds creates another complication.

Only the suspension of disbelief appears to be sustaining Euro Disney's shares. If Walt Disney's posturing is to be believed, there remains a threat that France's "cultural Chernobyl" could melt down. At best, shareholders can expect massive dilution. The mooted FFr5bn rights issue would probably require a doubling of the shares in issue. A debt-for-equity swap would further dilute the shares. The slender hope is that the banks will knock down any longer-term benefits accruing to Walt Disney through royalties and management fees. That may leave sufficient recovery appeal for shareholders to take up their rights. Alternatively, the banks may choose to underwrite an unattractive rights issue to swap their debt into shares.

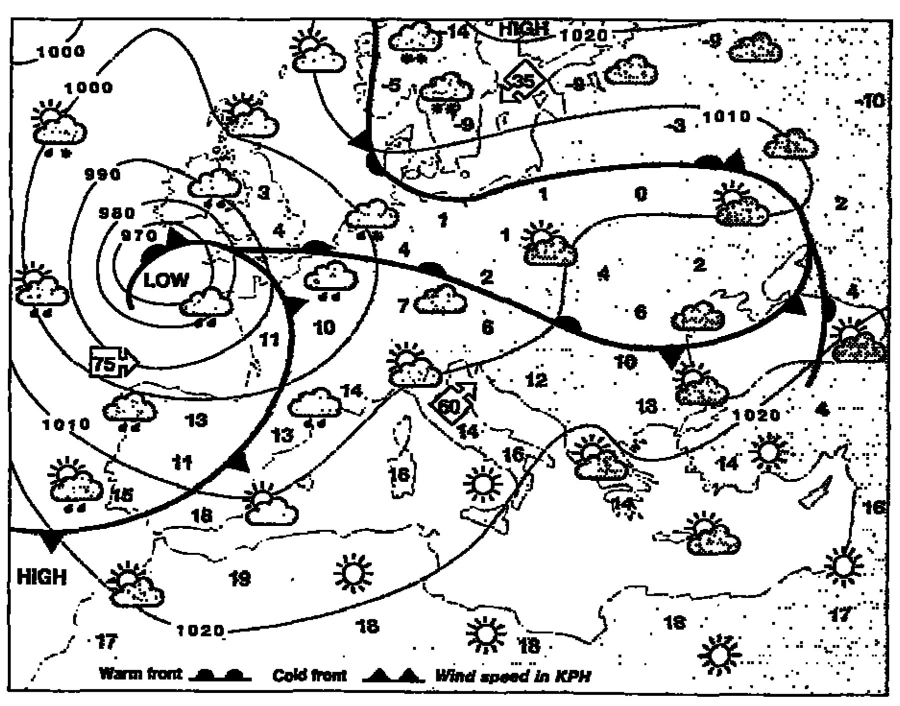
FT WEATHER GUIDE

Europe today

A zone of low pressure south of Ireland will affect western and south-western Europe. Southern England will have overcast skies and rain. In France, Portugal and Spain, heavy rain and showers will fall. In the Spanish highlands, snow is expected. Along Spain's east coast and the south coast of France it will remain dry with sunny spells. Italy and the former Yugoslavia will have sunshine with scattered showers along the west coasts. Sunshine will be plentiful in Greece and south-western Turkey. The southern regions of the Alps will have cloud and rain or snow. North of the Alps, it will be sunny with high temperatures due to southerly breezes. Only in Scandinavia will temperatures remain well below freezing.

Five-day forecast

Mild air will spread over the Alps into eastern Europe. On Friday, heavy rain will fall in south-eastern France. In the southern regions of the Alps, snow will fall. Cool air will flow into Spain and Portugal, as well as into North Africa. There will be snow in the Atlas mountains. High pressure will bring settled and mild conditions to south-eastern Europe. Scandinavia will remain wintry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	27
Accra	fair	32
Algiers	fair	20
Amsterdam	sleet	4
Athens	fair	15
B Aires	fair	32
B.ham	rain	2
Bangkok	cloudy	34
Barcelona	cloudy	15
Beijing	sun	5
Belfast	fair	5
Belgrade	fair	15
Berlin	cloudy	1
Bermuda	shower	23
Bogota	cloudy	18
Bombay	hazy	33
Brussels	rain	4
Budapest	cloudy	5
C.hagen	cloudy	-1
Cairo	fair	17
Cape Town	fair	25
Caracas	cloudy	26
Cardiff	rain	4
Chicago	fair	-8
Cologne	rain	4
D' Salaam	fair	31
Dakar	fair	27
Dallas	fair	16
Delhi	hazy	24
Dubai	fair	25
Dublin	cloudy	6
Dubrovnik	fair	14
Edinburgh	shower	3
Faro	shower	16
Frankfurt	rain	5
Geneva	rain	11
Gibraltar	rain	17
Glasgow	fair	4
Hamburg	fair	2
Helsinki	cloudy	-13
Hong Kong	fair	23
Honolulu	fair	26
Istanbul	fair	11
Jersey	rain	8
Karachi	hazy	27
Kuwait	fair	17
L. Angeles	rain	18
Las Palmas	fair	20
Lima	fair	28
Lisbon	shower	14
London	rain	5
Lux.bourg	rain	5
Lyon	rain	12
Madeira	cloudy	19
Madrid	rain	11
Majorca	fair	17
Malta	sun	15
Manchester	cloudy	5
Manila	cloudy	30
Melbourne	fair	33
Mexico City	fair	21
Miami	fair	22
Milan	cloudy	5
Montreal	snow	-10
Moscow	snow	-9
Munich	cloudy	10
Nairobi	fair	29
Naples	fair	15
Nassau	fair	24
New York	cloudy	1
Nice	fair	11
Nicosia	fair	15
Oslo	cloudy	-5
Paris	rain	10
Perth	fair	30
Prague	sleet	3
Rangoon	cloudy	33
Reykjavik	snow	-2
Rio	thund	29
Riyadh	fair	24
Rome	fair	14
S. Frsco	fair	12
Seoul	fair	5
Singapore	shower	31
Stockholm	snow	-9
Strasbourg	rain	9
Sydney	fair	30
Tangier	shower	15
Tel Aviv	fair	15
Tokyo	hail	5
Toronto	snow	-11
Tunis	sun	18
Vancouver	fair	7
Venice	cloudy	8
Vienna	cloudy	6
Warsaw	fair	2
Washington	fair	5
Wellington	fair	15
Winnipeg	snow	-22
Zurich	cloudy	10

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1994
Thursday February 3 1994

IN BRIEF

Dinosaur wars come to an end

Peace has broken out in the "dinosaur war" – a bitter and abusive struggle for market share between two of the world's leading suppliers of advanced process control systems. A settlement has been agreed between Honeywell, the US giant which dominates the world market, and Foxboro, the Massachusetts-based subsidiary of Siebe, the UK engineering group. Page 16

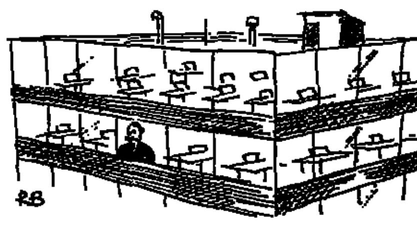
Renault's shake-out
Renault is disentangling itself from its collapsed plans to merge with Volvo. Page 16

India's big bond
The State Bank of India, India's largest state-run bank, has raised Rs32bn ($1bn) in the country's largest bond and share funding package. Page 17

Telecoms race reaches Canada
The race for leadership in the turbulent telecommunications industry reached Canada yesterday with a takeover bid by Rogers Communications, the country's biggest cable-TV operator, for Maclean Hunter. Page 18

Petrofina advances
Petrofina, the oil company and Belgium's largest industrial group, yesterday forecast consolidated profits for last year of BFr7.1bn ($198.9m), against BFr4.6bn. Page 18

Office prosperity, financial poverty



Japan Air Lines is building a 25-storey office block that will evoke the image of a bright new future. But the building contrasts sharply with the reality of the airline's financial predicament. It needs to cut its costs dramatically. Page 17

Flip side to volatile markets
Turkey, Poland, Brazil and Pakistan have taught investors a lesson. Back Page

Fyffes to expand in US and Europe
Fyffes, the fresh fruit and vegetable distributor, is planning this year to diversify out of its UK and Ireland base into continental Europe and the US. Page 22

Bradford & Bingley sets about Germany
Bradford & Bingley, the UK's seventh largest building society, launched its assault on the German retail financial services sector with the declaration that it was aiming for 5 per cent of the German building society market. Page 22

News Corp investors upset over Doulton
Holders of exchangeable preference shares issued by Mr Rupert Murdoch's News Corporation fear they may incur a considerable financial loss because of a legal wrangle over the ownership of shares in Royal Doulton, the fine china manufacturer. Page 16

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Reg	1365	+	85
Douglas Hldg	573	+	13
Varta	373	+	7
Falls			
Rheinmetall Brin	330.5	−	7.5
Zanders Feinpp	240	−	7
NEW YORK ($)			
Rises			
QVC	48¼	+	2
Sprint	37½	+	1½
USF & G	15½	+	1¼
Falls			
Amgen	43¾	−	3¼
IBM	55	−	1
Sears	50¾	−	3
PARIS (FFr)			
Rises			
Euro RSCG	677	+	33
Havas	478.5	+	22
Legris	286	+	13
Paribas	589	+	26
Total B	348.2	+	17.8
Falls			
Legrand	5650	−	310
TOKYO (Yen)			
Rises			
Central Finance	528	+	44
Daido Steel	504	+	49
Japan Metal	650	+	68
Sanrio	1770	+	160
Falls			
Orix	3500	−	290
Sega Ent	7070	−	460

New York prices at 12:30.

LONDON (Pence)			
Rises			
Bluebird Toys	715	+	67
Bridgend	28	+	3
Brit Aerospace	573	+	28
Coal Invs	70	+	7
Fyffes	105	+	5
Haemocell	98	+	19
Helical Bar	389	+	18
Holmes Marchnt	83	+	10
Hornby	215	+	15
Johnson Clnrs	1018	+	40
Johnson Fry	375	+	22
London & Met	16	+	6
Lonrho	169½	+	8½
P & O Dfd.	725	+	20
Pacer Systems	83	+	12
Paterson Zoch A	553	+	48
Ramsden's #0	220	+	14
Southnews	249	+	36
Torday Carlisle	31	+	5
Trafalgar Hse	117	+	5
Trans World	135	+	7
Yorks-TyneT TV	271	+	13
Falls			
LWT	695	−	13
Pentos	35	−	4

Paramount warns of losses as Wall Street weighs up latest offers in £10bn battle

Viacom inches into the lead

By Martin Dickson in New York

Viacom, the US cable television group, yesterday appeared to take a lead over its rival QVC Network as their $10bn takeover battle for Paramount Communications, the film and publishing group, entered what may be its final phase.

Both bidders slightly improved their offers on Tuesday night – the deadline set by the Paramount board for final bids.

Viacom was widely viewed on Wall Street yesterday as offering slightly more attractive terms, although analysts cautioned that the offers were very close and neither company had struck a knock-out blow.

However, the perception that QVC was the more likely to lose helped lift its stock $2 to $46⅜ in morning trading, while Viacom's B shares dropped $¾ to $33⅞.

Because Wall Street thinks both bidders would be over-paying for Paramount, the market punishes the stock of the one which looks like winning.

Paramount, meanwhile, reinforced the widespread belief that its financial performance is deteriorating by announcing yesterday that it expected a net loss of $35m to $40m in its third quarter. Paramount shares dropped $2 to $77⅞.

Paramount's board is expected to meet on Friday to consider the new bids. Shareholders have until February 14 to decide. If neither side wins more than 50 per cent of Paramount's stock by then, the five-month battle will grind on until a victor emerges.

Viacom's new bid leaves unchanged its offer of $107 a share in cash for 50.1 per cent of Paramount's stock, but improves the value of the securities offered for the remaining 49.9 per cent. Analysts yesterday estimated the combined value of its cash and stock offering at $83-$84 a share.

QVC increased the cash in its offer from $92 a share to $104, but simultaneously lowered the value of the securities element, leaving the overall value of its bid at around $86-$87 a share.

Some $500m of the $750m needed to boost its cash bid is coming from BellSouth, the Baby Bell telephone company, which is buying a further tranche of QVC stock.

Analysts said that while Viacom's bid was slightly lower in apparent value, investors might prefer it because it offered a little more cash and a guarantee to pay up to $12 a share to stockholders if its B shares trade below $48 in the year after a Paramount takeover.

Lex, Page 14:
Paramount's loss forecast, Blockbuster results, Page 18

Sales fall raises Euro Disney's deficit

By Alice Rawsthorn in Paris

Euro Disney, the stricken leisure group, yesterday revealed that it fell further into the red with a net loss of FFr553m ($94m) in the first quarter against a deficit of FFr423m in the same period last year.

The first-quarter loss was announced as Euro Disney's 60 creditor banks were starting a special meeting in Paris to plan tactics for the group's emergency financial restructuring.

At the meeting, which began in mid-morning and went on until early evening, the banks discussed a preliminary report on Euro Disney's financial position compiled by KPMG Peat Marwick, the accountancy group.

KPMG had been unable to complete its full report in time for the meeting, claiming that Walt Disney, the US group that owns 49 per cent of Euro Disney, had refused to release sufficient information. The banks plan to meet again when the full report is available. It is scheduled for completion in two weeks time.

The banks have been asked to give a mandate to start negotiations to a steering committee led by Banque Nationale de Paris and Banque Indosuez. The steering committee is expected to press Walt Disney to extend the deadline for negotiations from the original date of March 31 because of the delay in completing the KPMG report.

Walt Disney has already tabled proposals to halve Euro Disney's FFr20.3bn net debt through a rights issue and debt-for-equity swap. The banks are keen to ensure that it plays a larger part in the restructuring, notably by reducing its entitlement to royalties from Euro Disney.

Yesterday's first quarter figures to the end of December underlined the severity of Euro Disney's plight. The group said it had maintained operating profits in the three months to December 31 but suffered a 12 per cent fall in operating revenue to FFr828m from FFr944m.

Euro Disney attributed the fall in sales to its "new commercial strategy and wider range of prices". It has been offering discounted entrance to the EuroDisneyland theme park and cutting some hotel rates in an attempt to boost attendance during the slack winter season. The company said the improvement in operating margins reflected its attempts to cut costs.

Lex, Page 14

Honda considers keeping Rover link

By John Griffiths in London

The first tentative signs emerged yesterday that Honda is not considering quickly severing its ties with Rover in the wake of BMW's planned takeover of the British carmaker. This came as a Honda vice-president, who sits on Rover's board, began talks in the UK on Honda's options.

Officials at Honda Motor Europe's headquarters in Reading began to distance Rover from the actions of its parent, British Aerospace, which announced the £800m ($1.2bn) sale to BMW on Monday. "Why should we be angry with Rover; it was a BAe decision to sell to BMW," said Mr Chris Rogers, of HME.

Mr Yoshihide Munekuni, Honda's director on the Rover board, arrived yesterday for talks with HME's president, Mr Shojiro Miyake. Mr Munekuni was expected also to meet BAe officials. It is believed that he was keen to review the situation with Mr George Simpson, Rover's chairman and BAe's deputy chief executive.

Mr Bernd Pischetsrieder, BMW's chairman, has made it clear that he hopes Honda will maintain its alliance with Rover. He plans to go to Tokyo next week to meet Mr Nobuhiko Kawamoto, Honda's chief executive. Publicly, Honda in Tokyo has been cool towards the prospect of such talks.

However, HME officials accept that a dialogue with BMW must be opened. "We will have to talk. There was a great deal of disappointment and genuine shock that our trust in what has been a very long-term partnership should appear misplaced. But now we have to start deciding on our European strategy options," said Mr Rogers.

Honda said yesterday: "We are still shell-shocked and it is far too early" to discuss the future of most of the projects between Honda and Rover. However, Mr Miyake confirmed that one, at least, would not be affected – the sale of Land Rover's Discovery model through Honda's sales networks in Japan, badged as the Honda Crossroads. The agreement runs for three years.

Honda's dismay at the way the deal was done is shared by many inside Rover. While recognising that BMW had much to recommend it, Rover managers privately expressed anger at the treatment administered to Honda. "We have worked closely with Honda colleagues for 15 years and we have built up both liking and a deep mutual respect," said one.

Some industry analysts have predicted that Honda will at least allow existing and planned collaborations to run their course.

Editorial Comment, Page 13

Stephen Fidler examines the forces driving cash into emerging markets

A bubble borne along on a wave of money

When a stock market rallies by about 10 per cent in a day – as Brazil's did on Tuesday – something other than a calm reassessment of that market's quoted companies is under way.

Brazil's market – and others across Latin America, Asia and eastern Europe – is rising on the weight of money flowing from New York and other big financial centres. Almost $40bn went into stock markets outside the industrialised world last year.

Mr Michael Howell, equity strategist at Baring Securities in London, calculates that $160bn of emerging market shares were held by foreigners at the end of 1993; seven years earlier, the figure was $2.4bn. Since 1988, emerging market share prices have doubled. Last year, annual returns to investors were an average 67 per cent.

Unsurprisingly, some investors are starting to worry that this is a bubble which may soon burst.

Mr Howell argues that changes in the global economy over the last 10 years make the flows into new markets durable.

The free flow of capital around the world, economic reform in developing economies and a jump in the US savings rate as baby-boomers get older are driving the change in investment patterns. At the same time, returns on investments in industrialised countries have fallen.

But not everyone agrees. Mr Roger Nightingale, a London-based economic consultant, says the big shift of funds into emerging markets is "definitely temporary". He argues that the bubbly markets are driven by one thing: Japan's relaxed monetary policy which has created huge outflows of capital. That policy is a response to government fears about unemployment. Once capital outflows from Japan slow – when monetary policy tightens as the unemployment problem recedes – the emerging markets will crack, he says.

Capital outflows from Japan last year probably reached $200bn. This balanced a current account surplus of around $137bn and inflows of capital from foreigners repaying loans to Japanese banks. According to Mr Nightingale, the Japanese government has placed that money abroad, mainly in US Treasury bills. This has helped keep US interest rates low and has driven US investors out of low-yielding money market funds into equity funds – and the new markets.

US mutual funds showed record inflows last year of about $130bn, of which almost 30 per cent went into international funds. According to preliminary figures from Lipper Analytical Services, net sales of emerging market mutual funds investing in equities reached $20.7bn.

This underestimates total mutual fund investment in emerging markets, since it excludes fixed-income funds typically accounting for a fifth of the equity total, equity funds launched in the fourth quarter, and investment in developing country stocks by general equity and global equity funds. According to Lipper's Mr William McBride, the total assets of emerging funds now amount to around $100bn.

Most of this money (at least 90 per cent of 1993 net sales) is in open-ended funds. This could cause severe volatility in the emerging markets: as investors sell their mutual fund shares, fund managers are forced to liquidate their underlying shares. In the face of heavy sales, the questionable liquidity of many emerging markets would be put to the test.

"I wouldn't want the job of trying to sell $50m of stock for cash in, say, the Indonesian market," said Mr McBride. Turnover in the Jakarta market averaged $33m a day last year.

Since a large proportion of this mutual fund investment is from small investors in the US who have been switching out of low-yielding money market funds, the most likely trigger for such a shift would be a sharp rise in US interest rates.

Most economists believe some increase in US rates is likely this year. If this rise is modest, US rates will still be at historically lows levels and a substantial flow of funds into mutual funds could be expected to continue.

Mr Roger Palmer, of Kleinwort Benson Securities in London, says that even if interest rates turned high enough to tempt mutual funds investors back into money markets, bank deposits and the like, the growing interest of pension funds and insurance companies should help sustain a continued flow of finance into the emerging markets.

Mr Anthony Bottrill, deputy managing director of the Washington-based Institute for International Finance, a think-tank owned by international banks, says: "We are seeing the beginnings of a large portfolio shift that can last 10-15 years."

The movement into emerging markets has been underpinned not only by their good performance, but also by the idea that diversification can reduce overall risk in a portfolio.

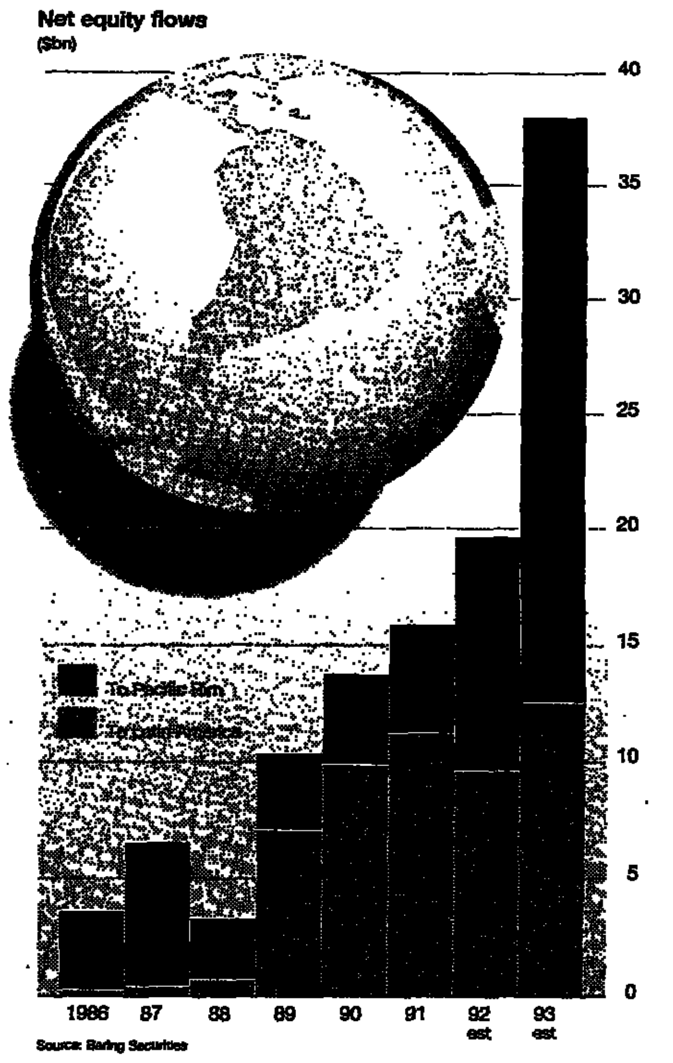
The problem is that the more institutional investors pile into the emerging markets, the more their investment decisions dominate those markets, reducing the diversification benefits.

The behaviour of such longer-term investors may not in any case be enough to sustain performance in emerging markets. The evidence of the 1987 stock market crash was that, in times of trouble, investors retreat to the markets they know best.

In other words, the performance of emerging markets remains hostage to what goes on in the industrialised world. Investors should make sure they know what is happening to US interest rates – or even to Japanese unemployment.

Back Page

Funds pumped into emerging markets



Source: Baring Securities

Elf price of FFr385 likely to mean strong retail demand

By John Ridding in Paris

Mr Edmond Alphandéry, the French economy minister, yesterday announced a price of FFr385 per share for the public offer of Elf Aquitaine, the oil group which is the largest company to be privatised so far in the government's ambitious programme to sell 21-publicly owned groups.

The price, largely in line with forecasts, compares with yesterday's closing price of FFr430. Industry analysts said they expected healthy demand from individual investors who have until the evening of February 10 to buy or confirm existing orders for shares.

In line with previous privatisations, of Banque Nationale de Paris and Rhône Poulenc, the chemicals group, the largest tranche of shares will be allocated to individual investors. They will be offered 33.21m shares, with a possible clawback from institutional investors.

The price for the 27.17m shares to be offered to French and international institutional investors is being set through a process of book-building.

The price for this tranche, which will be above that offered to individual investors, will be set on February 14.

In the case of oversubscription from individual investors, as occurred in the two previous privatisations, the institutional allocation can be reduced by up to 20 per cent. Elf employees and former employees will be offered 6.7m shares.

In addition to the other tranches, 22m shares will be reserved for a core of long-term stable investors in the group. These investors comprise six French industrial and financial groups – insurance companies Axa and Union des Assurances de Paris; banks BNP, Crédit Agricole and Paribas; and Renault, the state-owned car group. There are three foreign groups in the so-called "noyau dur" – the investment arm of Albert Frère of Belgium, Société Générale de Belgique, and Union Bank of Switzerland.

Electrolux shares advance after sharp rise in profits

By Christopher Brown-Humes in Stockholm

Electrolux, one of the world's leading white goods manufacturers, saw its shares rise by 7 per cent yesterday after it doubled profits in the fourth quarter of 1993.

The advance reflected strong demand in north America, an improvement in Europe, and the benefits of a group restructuring programme.

Profit after financial items rose to SKr589m ($75m) in the fourth quarter from SKr280m in the same 1992 period, taking profits for the full year to SKr1.55bn, up 53 per cent.

The group is maintaining its dividend at SKr6.25 per share. Last year the pay-out was halved from SKr12.50.

The weak Swedish krona and cost-cutting helped the group compensate for falling demand in key European markets.

Double-digit growth in all business areas pushed full-year sales up 24 per cent to SKr100.1bn. Excluding currency effects, sales were only 4 per cent higher. The group said demand fell by between 3 and 6 per cent in Europe last year, but it noted higher demand for its products in north America.

Household appliances, Electrolux's biggest division, was the only unit to report lower operating income. This is partly because the group took a SKr250m restructuring provision in the final quarter and partly because problems in North America and Spain wiped SKr500m off operating profits early in the year.

By contrast, the group saw a strong improvement in operating income in its outdoor products and industrial products divisions, and some improvement for commercial appliances. All four divisions reported increased income in the fourth quarter.

Electrolux said it hoped to complete negotiations to acquire AEG's white goods operation, Hausgeräte, before the end of the first quarter.

The Swedish company expects the purchase will boost its German market share to 30 per cent and its share in Europe to around 22 per cent.

It said that it is looking to make disposals of non-core operations to finance the purchase.

Bull suffers FFr3.42bn loss

By Alice Rawsthorn in Paris

Groupe Bull, the troubled French computer company, yesterday highlighted the severity of its financial problems by announcing that it made a net loss before restructuring costs of FFr3.43bn ($583m) last year against a comparable loss of FFr2.45bn in 1992.

The announcement follows last week's demand from the European Commission for the French government, which is the controlling shareholder in Bull, to suspend plans for a FFr2.5bn capital injection into the company.

Both the government and Bull have argued that the capital injection is part of their plan to prepare Bull for eventual privatisation. However, the commission has claimed that the capital increase was not accompanied by a fully-fledged restructuring plan. The government has 30 days to present restructuring proposals to the commission.

Meanwhile Bull, which reported a net loss after restructuring costs of FFr4.72bn for 1992, suffered a fall in sales of 6.4 per cent to FFr28.25bn in 1993. It also saw its operating losses escalate to FFr1.89bn from FFr642m.

Mr Jean-Marie Descarpentries, chairman, has said that he hopes to restore the group to break even by the end of this year.

Honeywell settles with Siebe

By Andrew Bolger in London

Peace has broken out in the "Dinosaur war" – a bitter struggle for market share between two of the world's leading suppliers of advanced process control systems.

A settlement has been agreed between Honeywell, the US giant which dominates the world market, and Foxboro, the Massachusetts-based subsidiary of Siebe, the UK engineering group.

Under the agreement, Foxboro will tell its sales force to stop a "Dinosaur advertising campaign" and related promotional activities, which – without naming Honeywell – claimed that competitive products were obsolete.

Honeywell, in turn, will tell its sales force not to distribute to customers sales training material directed at Foxboro nor to make statements criticising its competitor.

An agreed statement said: "Both parties intend to vigorously compete in future by concentrating on promoting the advantages of their own companies and products."

If hostilities have indeed ceased, it will be a novel working situation for sales staff and executives in both groups. When the UK group bought Foxboro for $656m in 1990, the then chairman and chief executive of the US company was quoted as saying Siebe intended to "bury" Honeywell.

Mr Barrie Stephens, chairman and forceful founder of the modern Siebe, once startled a meeting of analysts by saying: "I see the chairman of Honeywell mentioned us twice in his last statement. We must be getting the son of a bitch worried."

Mr Allen Yurko, who recently took over as chief executive from Mr Stephens, said he was pleased with the settlement of the action, which was launched by Foxboro.

News Corp preference shareholders fear losses

By Antonia Sharpe in London

Holders of exchangeable preference shares issued by Mr Rupert Murdoch's News Corporation fear they may incur a considerable financial loss due to a legal wrangle over rights to new shares.

In 1989, News Corp raised the equivalent of $375m (using current exchange rates) in sterling, guilders and D-Marks through the preference shares, which were convertible into shares in Pearson, the media, banking and industrial group. In the late 1980s, News Corp built a stake in Pearson which reached a high point of 20.5 per cent. It has subsequently cut its holding to 4.9 per cent.

Last year, Pearson demerged Royal Doulton, the fine china manufacturer, and Pearson shareholders were offered one Royal Doulton share for every 10 held in the parent, which owns the Financial Times.

A notice published in the FT on December 13 advised holders of News Corp's preference shares that they were entitled to the Royal Doulton shares as part of the exchange property when they exercised their exchange right. As a result, many holders decided to exchange and traders adjusted the price of the preference shares to reflect the value of the Royal Doulton shares.

However, the market was thrown into confusion by a notice in Monday's FT which said that News Corp was taking legal advice over whether the Royal Doulton shares were part of the exchange property. News Corp has declined to elaborate on the notice.

The notice has serious financial implications for both traders and investors since many have made sales of Royal Doulton shares in anticipation of receiving them as part of the exchange property. They also face foreign exchange losses if they have to unwind their hedging positions.

Traders said that News Corp's efforts to improve its relationship with the international investment community would be damaged if it kept the Royal Doulton shares.

Renault begins the breaking up

John Ridding and Christopher Brown-Humes report on the new relationship with Volvo

Step by step, Renault is disentangling itself from its collapsed plans to merge with Volvo.

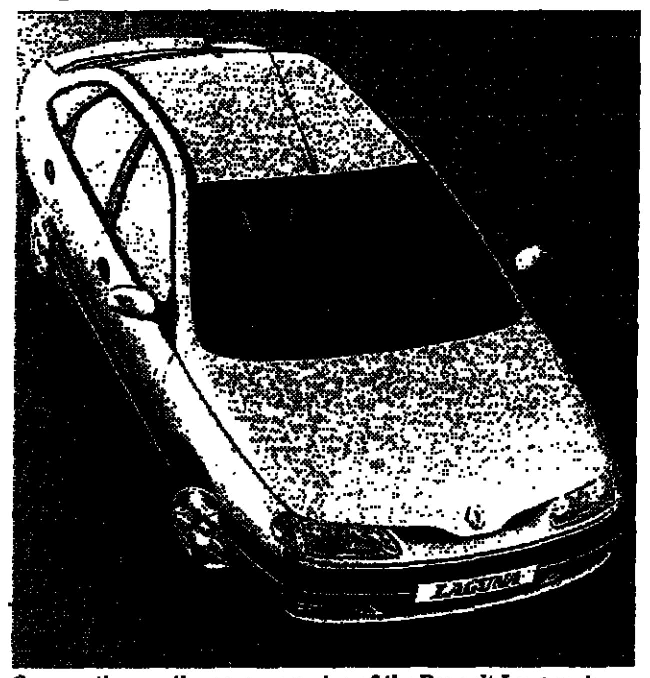
Since December, when the deal was abandoned in the face of strong opposition from Volvo's Swedish shareholders, the French state-owned company has chipped away at the two groups' industrial accords, seeking to redefine their relationship.

However, yesterday's announcement – that Renault had sold more than half its equity holding in the Volvo parent company – is the first to affect the complex web of cross-shareholdings which have bound the two companies since they established their industrial alliance in 1990.

It raises the question of how far the unravelling will extend and what areas of co-operation can remain. The French government's plans to privatise Renault in the second half of this year and the uneasy state of the alliance have given urgency to finding an answer.

Renault yesterday described the sale of 3.2m 'B' shares in Volvo as a financial transaction. "After the collapse of the merger we said that we would regard our holding in AB Volvo like any other corporate investment," said the French company. "Yesterday's move should be seen as part of that approach."

The financial incentives were attractive; the Volvo share price has risen 70 per cent since the merger plans fell through. Renault is estimated to have made a profit of about FFr750m ($128m) on the sale of its shares, a welcome addition to the balance sheet as the company endures a sharp and protracted downturn in the French car industry.



Co-operation continues: one version of the Renault Laguna, to be launched this year, will be powered by a Volvo engine

Renault emphasised, however, that the reduction in its stake in the Volvo parent company leaves its voting rights at 8.76 per cent, from just under 10 per cent. It also retains a 45 per cent holding in Volvo's truck operations and 25 per cent in Volvo's car operations.

These shareholdings would be much more problematic to unravel, as would Volvo's reciprocal shareholdings of 20 per cent in the Renault parent company and 45 per cent in RVI, the French company's truck and bus division.

The future of these shareholdings is still under consideration by the two groups, but they need not be dissolved ahead of privatisation, according to the French government. "There is no reason why we cannot privatise Renault with Volvo's shareholding," said one industry ministry official.

Industry observers are sceptical, however. "Volvo could help the privatisation process. If it retains its shares then the public offer would be reduced. But after the rupture, Renault may be wary about having such a large stake held by Volvo," said one analyst. He said the decision would probably depend on the shape of their commercial relationship.

This relationship has changed significantly since the collapse of the merger and, in particular, over the past few weeks. The two companies' joint project to develop a common platform to replace the Volvo 900 series and the Renault Safrane has been shelved. Last week, Renault announced an agreement to disband the joint purchasing and quality control organisations, both of which had been at the centre of the merger strategy.

But co-operation in some areas continues. Renault will, for example, receive Volvo engines for its Laguna model, which was launched last month in France. The French group in turn supplies Volvo with engines and gearboxes for its 400 series.

This form of co-operation is relatively modest, however. Renault has similar agreements with other carmakers, such as Peugeot, its domestic rival. Future steps taken by the two groups are unlikely to bring them any closer.

The Swedish market has anticipated the gradual unwinding of the alliance since the merger plan collapsed.

The expectation has been that the two companies would continue to collaborate at a commercial level, where it is in both their interests to do so, but that the formal structure of the alliance, cemented through cross-shareholdings, would gradually dissolve.

Analysts say Volvo still needs a partner long-term to share research, development and distribution costs, even though its short-term prospects are favourable.

Profits are expected to rise over the next two years on the back of currency gains, cost-cutting, and a strengthening of markets in the US, UK and Sweden.

IMI stock likely to open at 10% premium

By Haig Simonian in Milan

Shares in Istituto Mobiliare Italiano, the Italian financial services group privatised this week, look set to open at a premium of about 10 per cent, based on early indications from dealers in London.

The shares in IMI, which closed its public tender offer ahead of schedule on Tuesday night following massive over-subscription, were being quoted at between L12,000 and L12,200, compared with an issue price of L10,900.

The deal has caused considerable satisfaction in the Italian Treasury, which has sold about half its stake in the Rome-based financial services group.

However, the possibility of a sharp premium when official trading starts next Wednesday may trigger criticism that IMI was sold too cheaply.

Unofficial estimates suggest demand from institutions outside Italy for the 65m shares on offer exceeded supply by up to nine times. Details of demand for the US tranche of 35m shares have not been released.

Retail investors in Italy are believed to have made about 370,000 applications to buy stock in the two days before the issue was closed. The level of demand suggests applications will be scaled back to the minimum 250 share level and may even mean some investors will go empty handed.

It seems certain that the Treasury will sell the additional 19m shares held back for market stabilisation purposes, taking the overall proceeds from the issue to almost L2,400bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 03.02.94 Pool purchase price £/MWh	Final Prices for Trading on 02.01.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.30	18.20	18.20
0100	18.73	23.63	25.26
0130	19.99	23.63	25.26
0200	19.99	23.63	25.26
0230	18.73	23.63	25.26
0300	18.73	23.63	25.26
0330	18.73	23.63	25.26
0400	17.36	23.63	25.26
0430	17.26	23.63	25.26
0500	17.24	18.20	18.20
0530	17.24	22.84	24.47
0600	17.25	22.84	24.47
0630	17.26	22.84	24.47
0700	19.97	22.84	24.47
0730	19.97	23.33	24.96
0800	20.02	23.37	26.00
0830	20.61	26.55	28.18
0900	20.61	26.56	28.19
0930	20.62	26.56	28.19
1000	20.62	34.04	35.67
1030	20.62	34.04	35.67
1100	20.62	34.03	35.67
1130	20.62	34.03	35.67
1200	20.62	26.56	28.19
1230	20.62	26.55	28.19
1300	20.61	26.56	28.18
1330	20.29	26.55	28.18
1400	17.38	23.63	25.16
1430	17.34	23.53	25.16
1500	17.34	23.53	25.16
1530	17.35	23.53	25.16
1600	20.30	23.58	25.20
1630	20.78	36.07	38.18
1700	27.14	43.18	45.69
1730	45.76	43.51	45.98
1800	46.11	42.01	44.23
1830	44.25	34.82	36.67
1900	25.61	27.40	29.06
1930	22.44	27.06	28.69
2000	21.12	26.00	27.63
2030	21.10	23.37	25.00
2100	21.10	23.33	24.96
2130	20.40	23.33	24.96
2200	20.40	23.33	24.96
2230	17.31	23.33	24.96
2300	17.27	18.15	18.15
2330	17.20	18.11	18.11
2400	17.20	18.06	18.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of this revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0607-454788 (between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

State Bank of India sale raises $1bn

By Stefan Wagstyl in New Delhi

The State Bank of India, India's largest state-run bank, has raised Rs32bn ($1bn) in the country's largest bond and share funding package.

The bank has raised 42 per cent more than its Rs22.5bn target. The recent surge in the Indian stock market, fuelled by foreign buying, encouraged 2.6m investors to apply for SBI stock.

With the additional capital, SBI will be one of the largest companies in India by market capitalisation. Its stock should be attractive to foreign investors because it will be widely held and therefore easily traded.

As a result of the combined sale of shares and bonds, which started in December and finished last week, the government's stake in SBI – held through Reserve Bank of India, the central bank – will fall to 66 per cent from 98 per cent.

"This was the biggest offering in India by any standards," says Mr R. Viswanathan, the bank's deputy managing director, who supervised the fund-raising. The funds are being used to bolster the bank's capital base to make it better able to compete with other banks, including state-owned institutions, foreign banks and a new batch of privately-run banks which are being approved as part of the government's financial deregulation programme.

Mr Viswanathan says SBI will now have more than enough capital to meet the 8 per cent ratio of capital to assets laid down by international regulations.

SBI, the first of India's 26 state-owned banks to be partially privatised, is one of the world's largest banks in terms of staff and branches, with more than 200,000 employees in 8,800 offices. India's restrictive labour laws have prevented SBI from streamlining manpower. Nearly 2,400 of its branches lose money, but the bank will find it difficult to close them without reform of the labour laws and co-operation from trade unions.

Banking unions have been unable to stop partial privatisation but their opposition has helped to convince the government to retain control of state-owned enterprises by holding at least 51 per cent. They have also secured promises from finance ministry officials and bank managers that there will be no compulsory job cuts in banking.

Mr Viswanathan says that there will be "no retrenchment" at SBI but the payroll will gradually be cut through voluntary retirement and non-replacement.

SBI made an operating profit of Rs2.12bn in the year to last March, up from Rs1.75bn. Net profits, including investment income, fell from Rs25.9bn to Rs18.5bn, partly because of losses of Rs7.06bn incurred in the 1992 Bombay securities market scandal, when money was illegally siphoned from banks into stocks and shares.

Heineken in Indian venture

ITC, India's biggest manufacturer of cigarettes, plans to set up an export-oriented brewery in collaboration with Heineken, the Dutch brewer, Reuter reports from Calcutta.

Company officials said a team from Heineken would visit Calcutta this month or early in March to finalise collaboration details. "We hope to begin work by the middle of 1994," one said.

ITC plans to invest Rs1bn ($39m) in a brewery with annual capacity of 200,000 litres and canning facilities. More than 60 per cent of the investment will be for the canning plant.

ITC's foray into the beer business has been prompted by a recent collaboration between Heineken and BAT Industries of the UK, the largest shareholder in ITC.

ITC is understood to have short-listed locations in the south Indian state of Andhra Pradesh and the western states of Maharashtra and Goa.

India, with a population of 890m, consumes 40m litres of beer a year. Spirits are traditionally more popular, but demand for beer is growing by 14 per cent a year as bars modelled on the British "pub" sprout up across the industrialised states of Maharashtra and Karnataka.

'Up-country' board for Thai SE

By Victor Mallet in Bangkok

The Stock Exchange of Thailand (SET) is expected to launch a new "up-country board" for provincial companies this month with the planned listing of a palm oil company.

Chumporn Palm Oil Industry Public Co said yesterday it was the first company to receive preliminary approval from the SET.

The new category of companies, equivalent to the second board in other countries, has less stringent conditions for capital and successive years of profit than the main board.

The Securities and Exchange Commission said two companies had already been approved and a further four or five were in the pipeline.

Stockbrokers say foreign institutional investors are likely to be interested only in the larger companies on the provincial board, because the shares of the smaller ones will be difficult to buy or sell in large enough amounts.

"We hope that this is the start of a trend that will open up opportunities for other established up-country firms to gain access to the stock market," Chumporn Palm said in a statement. "The public offering will allow CP Palm to lower its funding costs as we continue to expand production of palm oil and kernel oil."

The company made a profit of Bt112m ($4.4m) in 1993 on revenues of Bt430m.

Goodman buys into Mexico's gelatine market

By Nikki Tait

Goodman Fielder, the Australian food company which takes in the Leiner and Davis gelatine brands, is acquiring Panamericana de Grenetina (Pagsa), which claims to be Mexico's largest gelatine manufacturer, for an undisclosed sum.

Goodman is buying the business via its Intergel division, and said the deal would provide a wholly-owned gelatine production facility, and direct access to the Mexican gelatine market. The initial impact on Intergel's revenues will be small, adding about A$15m (US$10m) in sales.

Northwest Airlines cuts routes to Australia

By Nikki Tait in Sydney

Northwest Airlines, the fourth-largest US carrier, is to reduce sharply its south Pacific services to Australia, but will increase flights between the US and Japan.

Northwest, which was the focus of a Pacific routes dispute between the US and Australian governments last year, is the latest airline to announce it is withdrawing or substantially reducing its US-Australia services.

The carrier said it would suspend its thrice-weekly service between Sydney and Los Angeles, and cut its weekly frequencies from Sydney to Detroit via Osaka from three to one. Resources would be deployed instead in expanded Detroit-Tokyo and Los Angeles-Osaka services.

Northwest's move follows Continental Airlines' decision to pull out of the Australasian market last autumn after 14 years.

American Airlines abandonned the south Pacific route in 1992.

United Airlines, the Chicago-based carrier, and Australia's Qantas have also restructured their services in this area in an effort to improve returns, although both carriers continue to provide services.

Lisbon lifts privatisation restrictions on foreigners

By Peter Wise in Lisbon

Portugal will not impose any restrictions on foreign participation in future privatisations but the limit on foreign ownership of most previously privatised companies will remain at 25 per cent, according to government officials.

Until now, Portugal has limited foreign investment in most privatised companies to between 5 and 30 per cent, in contravention of European Union rules that prohibit any barriers to corporate ownership between member states.

Mr Antonio de Sousa, Portugal's secretary of state for finance, travelled to Brussels this week to inform Mr Henning Christophersen, European Commissioner for economic affairs, that Portugal would drop all limits on foreign participation in future privatisations.

Mr de Sousa said that Portuguese legislation approved last month also extended the limit on foreign investment in previously privatised companies to 25 per cent in cases where the restrictions had previously been lower. This limit will not be lifted in the near future, he made clear.

Portugal's controversial limits on foreign investment have been highlighted by the case of Banesto, the troubled Spanish bank, which directly and indirectly controls 50 per cent of the capital of Banco Totta e Acores (BTA), the first Portuguese bank to be privatised in 1989.

Portuguese law limits foreign ownership of BTA to 25 per cent.

Australian profits up for BankAmerica

BankAmerica's Australian unit has reported a sharp rise in net profit after tax to A$58.2m (US$41.6m) in calendar 1993 from A$10.9m in 1992, Reuter reports from Sydney.

Mr Barry Brownjohn, managing director, said the bank had improved its performance in all areas, with increased corporate banking and capital markets activity.

Japan Air Lines pins its hopes on cutting costs

Michiyo Nakamoto looks at the latest medium-term restructuring plan from the struggling Japanese carrier

In Tokyo's southern waterfront district of Tennozu Isle, construction began last autumn on a 25-storey building that will be the proud new offices of Japan Air Lines.

The image of a bright future evoked by the new building, which is being built at a cost of Y43bn ($400m), contrasts sharply with the reality of the airline's financial predicament.

The severity of JAL's difficulties was underlined by the announcement last month of a four-year restructuring programme – the second medium-term survival plan from JAL in just over a year.

The latest plan aims to reduce costs even further than the previous one, to introduce measures to bring the airline's services more in line with changing customer needs, and to increase competitiveness both at home and abroad.

JAL's misfortune is a familiar tale of declining revenues from lucrative first and business class travel, increased competition on international routes and fierce price discounting.

While it has been seen as a slow-moving giant in the airline industry, unable to shed a bureaucratic corporate culture inherited from its days as a public company, JAL's problems are not entirely unique.

Its Japanese competitors, ANA and Japan Air Systems, are also reeling under the effects of one of Japan's worst economic downturns since the second world war.

The high cost structure which has severely damaged JAL's international competitiveness is a problem common to Japanese businesses with fixed costs in Japan, where property and service prices are notoriously high.

The situation has been aggravated by the recent sharp appreciation of the yen against the US dollar. "I see very little chance that JAL will be able to compete against south-east Asian carriers or indeed with US carriers at current exchange rates," says Mr Paul Smith, industry analyst at James Capel.

In the year to March 1993, the airline suffered a consolidated pre-tax loss of Y54.9bn on revenues of Y1,283.8bn and passed its dividend.

JAL is more dependent on international travel than its domestic competitors and has been damaged more by price competition from foreign airlines. It also relies more heavily on customers being attracted to its prestige image at a time when the Japanese are basing decisions increasingly on value for money.

But JAL's woes have also put into focus the way it has been managed. The company "has not always been operated with a clarity of vision that one would expect from a private company," says Mr Smith.

Japan Air Lines

Pre-tax profit/loss (¥ bn)

Source: Datastream

Over the past several years, for example, JAL invested heavily in aircraft on the assumption that business would continue to expand as strongly as it had during the years of asset inflation. When the extra demand failed to materialise, aircraft had to be stored in the US.

JAL was also caught in forward dollar rates agreements which it made on the recommendation of its bankers. After the 1985 Plaza Agreement, JAL hedged up to a third of its planned aircraft purchase needs for a period of 11 years in forward rates. Since then the dollar's value against the yen has fallen dramatically, leaving JAL committed to buy expensive dollars, although the company will not reveal at what rate it must buy.

The airline's management of its subsidiaries has also come in for criticism by unions. One cited is the purchase by a subsidiary of Essex House, a luxury hotel in New York. Having bought it for $170m, the company was then obliged to pump in at least another $100m to renovate the hotel. While JAL agrees that this was somewhat more than budgeted, its subsidiary "has a gorgeous hotel in New York now," an official says.

If JAL is to reduce its workforce dramatically, bring in a larger number of non-Japanese staff to cut wage costs and become a lean and mean operation that can generate higher revenues, it needs the co-operation of its unions.

Even if its plan does manage to clear the unions, management could face criticism if JAL fails to see the pick-up in revenues it desperately needs.

Market conditions so far this year have been worse than JAL had banked on at the beginning of the fiscal year, with international passenger revenues down 13 per cent at mid-year and domestic traffic revenues down 3 per cent.

Hopes that its cost-cutting moves and a pick-up in demand would allow it to break even this year, return to profitability next year and resume dividends by the year to March 1996 are already beginning to look optimistic.

"The industry is highly leveraged and if there is a pick-up in passenger revenues the company could see a strong turnround," notes Mr Smith.

Given the continuing depressed state of the Japanese economy, however, JAL's latest medium-term plan may not yet be the last plan for survival to come from the airline.

INTERNATIONAL COMPANIES AND FINANCE

Paramount expects up to $40m loss

By Martin Dickson in New York

Paramount Communications, the entertainment group at the centre of a $10bn takeover battle, yesterday announced that it expected a third-quarter net loss of between $35m and $40m.

The loss is due partly to a revaluation of programme inventories and partly the box office performance of *Addams Family Values*, a comedy horror film.

The news reinforced the belief of some Wall Street analysts that Viacom and QVC Network, rival bidders for Paramount, are paying a very high price for a business with a falling financial performance.

The forecast loss for the quarter to January 31 works through at 29 cents to 33 cents a share, and compares with analysts' expectations of earnings of 5 cents to 15 cents a share.

In the same period of last year, Paramount lost $66.8m, or 56 cents a share, but that included a one-time charge of $66.9m for a change in accounting principles.

The company said USA Network, an advertiser-supported cable channel which it owns jointly with MCA, expected to record a $78m pre-tax charge to adjust the carrying value of certain broadcast rights to net realisable value.

This stems mainly from the poor ratings of the comedy series *Major Dad* in its debut on the network, and will leave Paramount with an $18m after-tax loss in the third quarter.

Paramount also forecast a loss in its motion picture division, due to an unexpected write-down on *Addams Family Values*, which was released in the US last November and has taken some $46m at the domestic box office.

The company said it expected its television programming operations to produce lower operating income because it was increasing production for the broadcasting networks, which involves the studio in higher up-front costs.

Its publishing operations would report larger seasonal losses – although in line with its full-year business plan – primarily because of higher product development and selling expenses to meet anticipated sales growth.

On the positive side, the company said it expected sharply higher results from its home video operations and increased operating income from broadcast television stations and Madison Square Garden, the New York concert and sports venue.

Two of the company's biggest box office successes in 1993 – *Indecent Proposal* and *The Firm* – have been issued in video in the US in recent months.

Blockbuster ahead 71% in fourth quarter

By Martin Dickson

Blockbuster Entertainment, the video rental chain which has agreed to merge with cable television group Viacom, yesterday reported a 71 per cent increase in fourth-quarter net income.

It made $81.3m, or 34 cents a share, compared with $47.6m, or 23 cents, in the same period of last year. Revenues were up 66 per cent at $724m.

Same-store revenues for company-owned video outlets in operation for more than a year increased 5.5 per cent in the quarter and 9.2 per cent in the year.

Blockbuster is being taken over by Viacom as part of the cable company's $10bn bid to buy Paramount Communications, the film and publishing group, in a five-month battle pitting it against rival bidder QVC Network. However, the Viacom-Blockbuster deal is not contingent on Viacom winning the Paramount battle.

Mr Wayne Huizenga, chairman of Blockbuster, said the company expected its merger with Viacom to be completed in the second quarter.

For the full year, the group reported net income of $243m, or $1.10 a share, up 64 per cent from the $148.3m, or 76 cents, reported in 1992. Revenues totalled $2.2bn, up 69 per cent.

Systemwide revenues – revenues generated by the company and franchise owned stores – rose 49 per cent in the fourth quarter to $891m and 47 per cent in the year, to $2.9bn.

Mr Huizenga said that during the quarter the company's home video and music retail operations, along with its programming and distribution businesses, posted strong gains in both revenue and operating income.

Wayne Huizenga: Viacom merger set for second term

Telecoms takeover race moves to Canada

By Bernard Simon in Toronto

The race for leadership in the turbulent telecommunications industry reached Canada yesterday with a takeover bid by Rogers Communications, the country's biggest cable-TV operator, for Maclean Hunter.

MH, whose diverse communications interests include a stable of North American cable franchises, had a market value of C$2.85bn (US$2.17bn) before the bid was announced.

But Rogers has yet to disclose details of its offer. It has already bought a 7 per cent stake in MH on the open market, and plans to offer a combination of cash and non-voting shares for the rest of MH's 207m outstanding shares.

MH reacted cautiously to Rogers' overtures, saying that it will consider a specific proposal "in light of its other strategic alternatives and with a view to the best interests of MH and its shareholders".

One analyst said many MH institutional shareholders may be tempted to accept an offer if it was pitched substantially above MH's pre-bid share price of C$13.75. The shares have barely moved in the past two years, but the analyst estimated the company was worth over C$20 a share for a cash-cum-shares bid.

But Rogers faces numerous hurdles. The two companies are a study in contrasts. Rogers, which is closely identified with Mr Ted Rogers, its founder and chairman, is an aggressive, highly-leveraged group with leading-edge technology.

It has suffered losses for the past five years, reaching C$124m in the first nine months of 1993.

Besides its 14 cable-TV systems, Rogers controls a national cellular phone network, and is a part owner of Unitel, the long-distance telephone company which was instrumental two years ago in breaking a monopoly held by local telephone companies.

MH, with a history spanning 107 years, is widely held and conservatively managed, with little debt and a steady dividend.

For many years, the backbone of its business was trade publications, newspapers, and local radio and TV stations.

However, its cable-TV franchises in the US and Canada last year contributed almost 90 per cent of operating earnings, totalling C$194m.

MH adopted a "poison pill" in 1989 which, in essence, would foil any takeover bid which was not approved by its board or supported by a majority of shareholders.

Wasserstein founder goes back to CSFB

By Richard Waters in New York

Mr Charles Ward, one of the founding partners of investment banking firm Wasserstein Perella, has rejoined CS First Boston, marking the latest in a run of senior defections in the mergers and acquisitions sector in the US.

Mr Ward was one of four senior First Boston executives who founded the advisory boutique in 1988, along with co-heads of investment banking Bruce Wasserstein and Joseph Perella, at the time the two most celebrated M&A advisers on Wall Street.

He is now rejoining the bank (since renamed CS First Boston) as joint head of investment banking and head of the investment banking business in Europe.

Mr Ward was made president of Wasserstein Perella's advisory unit last July, after Mr Perella defected to join Morgan Stanley. Morgan Stanley itself had earlier lost Mr Bob Greenhill, one of Wall Street's top advisers, to Smith Barney Shearson.

Wasserstein Perella, which has experienced a dearth of M&A business compared with its prominent role in the late-1980s, played down the significance of the departure. "Chuck got offered a job that was too good to be true," one senior executive said, adding that the move did not reflect any dissatisfaction with Wasserstein.

The executive added that the bank had seen a pick-up in M&A work, including advising Bell South on its investment in QVC to back the home-shopping company's bid for Paramount.

Mr Ward, 41, joins CS First Boston as it is trying to build a more broadly based international investment banking business. It has been held back in the past by rivalries between its strong London and US-based operations.

The competition for M&A specialists has intensified in recent months, signalling a belief by investment banks that the business will continue to rebound after a three-year lull.

Sprint shares advance as profits hit $190m record

By Patrick Harverson in New York

Shares in Sprint, the third-largest US long-distance telecommunications group, rose on Wall Street yesterday after the company reported a sharp profits advance.

Strong growth in long-distance and local telephone volume lifted income from continuing operations 63 per cent in the fourth quarter to $190m, on revenues of $2.98bn, up 10 per cent.

The results were a record for Sprint, as was the $11.4bn in revenues it reported for the year as a whole.

Full-year operating earnings totalled $687m, up from $452m in 1992, but the figure does not include the $206m non-recurring after-tax charges Sprint took during the year to cover restructurings, tax law changes and the merger with Centel, also of the US.

During the fourth quarter, Sprint said its long distance operating income grew by 26 per cent to $133m, with revenues up 7 per cent to $1.6bn and long distance use up 7 per cent.

The company attributed the growth to marketing, new products and international expansion.

Among the new products introduced by Sprint recently is the Voice Foncard, a voice-activated calling card that allows users to make a call by speaking into the telephone rather than pushing buttons.

Sprint's local business was also buoyant in the fourth quarter, with operating income rising 28 per cent to $251m on revenues of $1.08bn, up from $989m a year earlier.

Investors, cheered by Sprint's results, pushed the shares up $1⅞ to $37¼ on the New York Stock Exchange.

Petrofina sees rise to BFr7.1bn

By David Gardner in Brussels

Petrofina, the oil company and Belgium's largest industrial group, yesterday forecast consolidated profits for last year of BFr7.1bn ($198.9m), against BFr4.6bn in 1992.

Turnover figures are not yet available.

The preliminary result amounts to a bounce back from a poor first half, and Mr François Cornelis, chief executive, anticipated Petrofina would pay out roughly the same amount in dividends as last year, when it paid a total of BFr6.7bn.

Petrofina cut its dividend in 1992 for the first time since 1959, after a 72 per cent collapse in earnings.

The group has refocused on core activities, and expects 5 per cent annual productivity gains through investment and the shedding of more than 2,000 jobs since 1991.

Its BFr26bn upgrading of its Antwerp refinery should be completed by September, while overall investment this year should be maintained at recent levels, roughly BFr33bn.

The results reflect a rising dollar and improved refining margins, up from $2.33 a barrel in 1992 to $2.90 last year, but were offset by a more than $2 decline in crude oil prices to an average $17 per barrel in 1993.

Petrofina expects to increase production of oil and gas by 15 per cent this year, through its share in four fields coming on stream in the North Sea and the Gulf of Mexico.

One uncertainty over upstream activities is the cost of redeveloping the Norwegian Ekofisk field with new platforms and redrilled wells.

Mr Cornelis said preliminary costings set the bill for this at $4bn, "of which our share would be 30 per cent".

SAP increases earnings 15% to DM146m for year

By Christopher Parkes in Frankfurt

Net earnings at SAP, the German-based business software company, rose 15 per cent to DM146m ($83.4m) last year on sales up by more than 30 per cent at DM1.1bn.

Turnover from the company's R/2 and R/3 mainframe-based systems rose to DM684m, compared with DM471m in 1992, while consulting work and training contributed a further DM388m, against DM337m.

SAP said yesterday it had more than doubled its UK customer base in the past year to 55 companies.

Sales in the UK rose 46 per cent to £10m ($15m). The company, which aims to make half its sales outside Germany in the current year, said turnover in the US increased by 150 per cent from an estimated DM84m in 1992.

It also achieved its target of a 10-fold sales increase to more than 1,000 packages of its R/3 software generation, designed to appeal to smaller and medium-sized companies.

The company, with 3,000 clients worldwide, last year increased its workforce by 17.5 per cent to more than 3,500. Sales per employee increased from DM283,000 to DM319,000.

McGraw-Hill confident

McGraw-Hill, the US publisher and broadcaster, expects to show financial progress in 1994 after flat fourth-quarter earnings, and a loss for 1993 due to an acquisition charge, Reuter reports from New York.

It said it took a non-recurring charge of $160.8m, or $3.27 a share, for a 50 per cent interest in MacMillan/McGraw-Hill School Publishing.

As a result, 1993 earnings were $11.4m, or 23 cents, against $28.6m, or 58 cents.

For the fourth quarter ended December 31, the company reported earnings of $44.9m, or 91 cents, compared with $44.7m, or 91 cents, in the fourth quarter of 1992.

Polaroid improves to $39m in fourth term

By Richard Tomkins in New York

Polaroid, the US photography group, increased fourth-quarter net profits to $39.2m from $29.6m in the previous year.

However, the group warned that the first half of the current year would reflect the effects of slow economic growth in Europe, the stronger US dollar and start-up costs on a coating facility.

For the full year, it reported net losses of $51.3m, compared with profits of $99m last time, partly because of the severence payments and accounting changes.

Operating profits, excluding the unusual items, would have been $208m, against $214m last time, the company said.

The fourth-quarter profits growth was caused partly by a strong response from US consumers to a new instant camera system called Captiva.

The system helped the company reach its largest number of camera shipments in 10 years.

Polaroid said it expected to increase operating profits significantly in the current year in spite of weakness in the first half.

Reebok flat as shoe sales in US tumble

Reebok International, the US sports-shoe maker, reported net income of $50.7m from continuing operations, little changed from $49.8m last time, writes Richard Tomkins.

Poor sales of its athletic shoes were largely to blame: Reebok footwear sales in the US were nearly 23 per cent lower than in the previous year's fourth quarter.

For the year, Reebok appeared to show a sharp improvement in net income to $223.4m from $114.4m. However, profits from continuing operations were virtually flat at $230.4m, compared with $232.3m last time.

Mr Paul Fireman, chairman and chief executive, said the company was disappointed by the decline in US footwear sales in the second half, but the year ended with orders up 14.4 per cent overall.

There had been good performances from the US apparel business, Reebok's international business, and Rockport's international outdoor and women's footwear businesses.

Avionics joint venture dropped

Sextant Avionique of France and Allied Signal of the US have abandoned plans to form a joint venture in avionics which would have created one of the world's largest aircraft electronics groups, writes John Ridding in Paris.

Fokker's latest restructuring plan fails to get off the ground

Dutch aircraft manufacturer faces a tough task after the chairman's unexpected resignation, writes **Ronald van de Krol**

Fokker, the Dutch aircraft maker, is being forced to go back to the drawing board again this week.

This time, the sketches being worked out at the company's Amsterdam headquarters are not the contours of a new regional jet or the shape of a turbo-prop commuter aircraft. Instead, Fokker, which has had more than its share of turbulence over the past 12 months – particularly the sale of a controlling majority stake to Deutsche Aerospace (Dasa) of Germany in April – is trying to draw up new plans for deep cuts in operating costs.

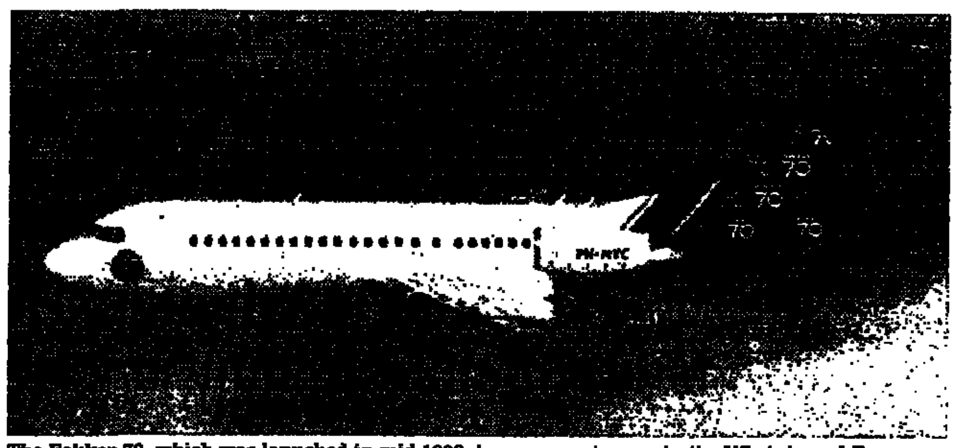
The company's restructuring plans were thrown into disarray on Monday when Mr Erik Jan Nederkoorn resigned after failing to win approval for his vision of how the cost price of Fokker's aircraft could be cut by 30 per cent over the next three years.

Fokker is expected to launch a new plan later this month, even though a new permanent chairman has yet to be appointed. Mr Nederkoorn has been replaced temporarily by his vice-chairman, Mr Reinder van Duinen.

Mr Nederkoorn's plans were considered too drastic by his management board and by his fellow Dutchmen on the supervisory board, where the Germans have a majority.

Ironically, however, his unexpected departure may spur Dasa, which is facing job losses and difficulties of its own, to push the new management team to carry out an even stronger rationalisation of Fokker's operations and finances. Significantly, Dutch trade unions have bemoaned Mr Nederkoorn's resignation and are bracing for further bad news.

One immediate consequence of this week's board shake-up – which besides Mr Nederkoorn's departure also includes the doubling of the management board to six members – is the appointment of a German, Mr Reinhard Volk, to the new board-level position of controller.



The Fokker 70, which was launched in mid-1993, has won customers in the US, Asia and Europe

Mr Volk, who will join Fokker from the engine-maker MTU – which, like Dasa, is part of the Daimler-Benz group – is the first German to join the management board since the takeover.

Mr Nederkoorn envisaged a loss of between 1,000 and 1,200 jobs out of a total of 10,000 at Fokker. This reduction would have come hard on the heels of earlier job cuts that have steadily whittled down the size of the workforce from 13,500 in 1990.

Equally controversial were plans for a wholesale shake-up of Fokker's corporate culture, including proposals to divide the company's internal component supply departments into smaller units of 300 to 400 employees each, which would be made responsible for their own profit-and-loss statements.

The plans were based on the premise that Fokker should have just enough employees to build at least 60 aircraft a year, a far cry from the minimum 100 budgeted for as recently as 1990. Under a new restructuring plan, that number may have to be reduced still further to around 50.

The number of job losses could rise to 2,000, and some of Fokker's manufacturing sites outside Amsterdam may have to close. But so far, the company has refused to discuss the contours of the new plan.

Fokker, like other aircraft makers, is feeling the pinch because of the troubles being experienced by the world's airlines. Before the boardroom dispute erupted, it had been predicting a loss of Fl 150m ($77m) for 1993.

Mr Nederkoorn's downfall is also partly a legacy of the bitterness aroused by Dasa's acquisition of a 51 per cent stake in the company.

The German takeover, which sparked a debate with nationalistic overtones about the Netherlands' industrial future, was Mr Nederkoorn's responsibility, and his forthright manner caused friction inside and outside the company.

Although Dasa is reported to want to go further than Mr Nederkoorn in restructuring Fokker, it decided in the end not to back him personally because of the boardroom split.

Ironically, Fokker's management troubles come when it has managed to pull off a string of important orders which, although they cannot hope to rival the bigger deals seen in the 1980s, testify to the company's continued competitiveness.

In late January, Air UK ordered eight 50-seater Fokker 50s and took out options on eight more. The order was regarded as important because sales of Fokker 50s had stagnated lately.

Late last year, Fokker also won orders for its newest aeroplane, the Fokker 70, from Mesa Airlines of the US and from British Midland. The Fokker 70, launched in mid-1993, has now won customers in the US, Asia and Europe.

But in the short term, the most important product to spring from Fokker's drawing board will have to be an economically viable restructuring plan capable of winning political and popular support in the Netherlands.

American Barrick unveils plan for expansion with record result

By Bernard Simon in Toronto

American Barrick, the Toronto-based gold producer, has signalled an ambition to spread its wings beyond North America with new ventures in China and Peru.

Barrick yesterday outlined its international expansion strategy, which will be centred on Latin America and Asia, in tandem with details of its eighth consecutive year of record earnings.

Net income was US$213.4m in 1993, or 75 cents a share, up from $174.9m, or 62 cents, the previous year. Revenues rose to $667.5m from $540.4m.

However, the momentum slowed in the fourth quarter, with a lower realised gold price, higher costs and sagging output pushing net income down to $51.8m, or 18 cents a share, from $65.5m, or 23 cents.

Barrick's active gold hedging programme realised an average price of $409 per ounce last year, down from $422 an ounce in 1992. In the fourth quarter, the price fell to an average of $405.

Output for the year was 1.64m ounces, up from 1.33m ounces, largely due to expanding production at the flagship Goldstrike mine in Nevada.

Barrick said its international drive was prompted by changed attitudes and structures in several countries "which makes it attractive to review the mining opportunities they may present". It plans to focus on deposits capable of producing at least 100,000 ounces of gold a year for 15 years or more.

Barrick will own 75 per cent of a new gold development venture in China formed in partnership with Power Corporation of Canada, the diversified Montreal-based financial services group.

It has also taken an option on a 75 per cent interest in the Corona gold and copper project in southern Peru, and joined two exploration projects in north-central and southern Peru.

Barrick said its international expansion would be facilitated by its contacts and strong balance sheet. Several non-mining luminaries sit on its board of directors, including former Canadian prime minister Mr Brian Mulroney.

Cash reserves totalled almost $350m at the end of last year.

Petro-Canada steps up exploration in west as profits climb sharply

By Robert Gibbens in Montreal

Petro-Canada, the privatised national oil company that has been undergoing a restructuring, has reported a sharp increase in fourth-quarter profits. The group is also stepping up exploration in western Canada.

Profits for the quarter advanced to C$36m (US$27m), or 15 cents a share, up 33 per cent from C$27m, or 12 cents, a year earlier, on revenues of C$1.15bn, down 8 per cent.

For the whole of 1993 profit was C$162m, or 66 cents a share, up from C$9m, or 4 cents, on revenues of C$4.6bn, a fall of 2 per cent.

The group's 1994 capital spending programme will total C$555m, for upgrading its refineries and contributing to the offshore Hibernia oil project.

PetroCan has been restructured since early 1992, with successive asset sales and cost reductions.

Oil and gas output rose last year but operating profit declined because of lower crude oil prices. Downstream operations, however, improved significantly.

In 1994 the group will invest C$125m in western exploration, C$155m in refining and C$210m in the 25 per cent-owned Hibernia project. This is running into serious cost overruns, and PetroCan's original C$1bn commitment over five years may not be sufficient.

Hyundai of Korea, a platform contractor, is considering taking over management of the C$5bn-plus project.

- Rio Algom, now primarily a base metals mining group, is raising C$157m by a fully underwritten issue of shares with warrants attached at C$22.50 per unit.

Part of the proceeds will be used for investment in Chile's Cerro Colorado copper project.

- Canada Trust, with C$150bn assets under management, has bought 80 per cent of Toronto discount broker Meridian Securities from the Royal Bank of Canada and management, and plans to move into insurance. CT has nearly 400 branches in Canada and owns a US savings and loan company.

INTERNATIONAL CAPITAL MARKETS

US rallies at the long end after overseas buying

By Frank McGurty in New York and Tracy Corrigan and Antonia Sharpe in London

After Tuesday's sell-off, longer-dated US bonds firmed yesterday morning, but activity was restrained ahead of an afternoon announcement by the Treasury on new supply.

By midday, the benchmark 30-year government bond was 5/32 better at 99¼, with the yield slipping to 6.301 per cent. On the short end, the two-year note edged 1/32 lower to 99 13/32, to yield 4.198 per cent.

After shedding about a point the previous session, the long end of the yield curve opened higher on overseas buying. It slipped back from its highs when traders failed to follow through on the early activity. The nascent rally was deflated by news of an effective increase in the price of Saudi crude oil.

The day's economic data had little impact. The commerce department said that its composite index of leading indicators rose 0.7 per cent in December, as forecast, while sales of new homes surged to their highest level in five years. But most analysts dismissed the reports as a backward view of the economy.

GOVERNMENT BONDS

Attention was instead focused on tomorrow's employment data, which should give a better indication of wage pressures.

In the shorter term, the markets were waiting for the details of the Treasury's first-quarter refunding package.

The department was expected to announce the sale of $40bn in new securities, including $17bn in three-year notes, $12bn in 10-year notes and $11bn in 30-year bonds.

■ Gilt prices ended little changed, in spite of a Treasury report suggesting continued recovery, which further weakened the likelihood of another interest rate cut in the near future, dealers said.

The focus is shifting to next week's January retail prices data.

The data is expected to show that inflation is well under control and could help revive interest in the market.

"I don't think we need a rate cut to get the market to move," said Mr Mark Reckless, UK economist at S. G. Warburg. "A good RPI number will focus international attention" on the market, he added.

No details had emerged by the end of the day of the meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England.

March Gilt futures on Liffe ended down 1/32 point at 118¼.

■ Japanese government bond prices slid in European trading, as the market received confirmation of some aspects of the new fiscal package, which is to be unveiled today.

"The key issue is how it will all be financed," said Mr Gerard Lyons, chief economist at DKB International.

The expectation is that the bulk of the package will be financed by raising debt. This was reinforced yesterday by the news that the new welfare tax, replacing consumption tax, is only coming into force in 1997.

Concerns about bond market supply dampened the reception of yesterday's Y100bn two-year auction.

The market is likely to remain wary ahead of next week's Y700bn four-year auction. "I think a lot of the supply worries have already been taken on board, but we are in the run up to the end of the fiscal year," said Mr Lyons. However, he added that the current weakness appeared to be a temporary problem.

■ German government bonds eased in quiet trading yesterday ahead of the Bundesbank's fortnightly council meeting today. Traders said the market was evenly split on the prospects of the central bank cutting interest rates after the meeting.

However, they added that the release of better-than-expected industrial production data for December might persuade the Bundesbank to delay a cut in rates until its next meeting.

The March bund future on Liffe traded at 100.35 in the late afternoon, down 0.06 on the day and down from an intraday high of 100.48.

■ The yield on 10-year French government bonds slipped back above the yield on bunds yesterday due to fears that the Bank of France might cut interest rates independently of the Bundesbank. After breaking below the yield on bunds last week, the yield on 10-year OATs had widened to three basis points above bunds by yesterday afternoon.

Mr Adam Chester, international bond strategist at Yamaichi International in London, said although the French economy would benefit from a cut in interest rates, it would lead to a weakening in the French franc. "This would have a knock-on effect on OATs," he said.

The notional March bond future traded at 130.28 in the late afternoon, down 0.10 on the day.

Polish minister offers to abandon share tax scheme

By Anthony Robinson

Mr Leszek Miller, Poland's minister of labour and one of the most left-wing members in the centre-left Polish government, told a meeting of large private investors that he would no longer press for his proposed tax on stock exchange transactions. The move was designed to calm investors' fears after a bout of selling on the Warsaw stock exchange.

Investors argued that the proposed 0.5 per cent transactions tax contradicted earlier legislation.

This provided for tax exemption on transactions and stock market profits until the end of 1995.

Investors warned it would jeopardise the government's hopes of raising large funds for the budget from the privatisation of state enterprises.

Mr Miller hoped to raise about $18m a month from the proposed tax in order to increase social payments as promised in his party's election manifesto.

However, he was criticised by the finance minister and others within his own party. He finally backed down after heavy selling on the Warsaw stock exchange over its last two sessions.

The selling, after months of steady buying, was also sparked off by a row between the two coalition partners over the sacking of the minister in charge of bank privatisation and warnings by Mr Jerzy Osiatynski, a former finance minister, that the stock exchange bubble was about to burst.

Warsaw's WIG index reached a record 18,218 last Thursday but tumbled to 15,227 on Tuesday.

Trading, which takes place only three days a week, resumes today.

Beijing's long-awaited global bond lifts quiet sector

By Conner Middelmann

China's long-awaited global bond was the focus of a lacklustre day in the Eurobond market, where activity was subdued ahead of today's meeting of the Bundesbank council.

The People's Republic of China issued $1bn of 10-year bonds, priced to yield 85 basis points over the corresponding US Treasury bond, with Merrill Lynch as lead manager. Dealers reported strong demand for the issue from Asian and European accounts. The pricing of the bond was brought forward by a day and syndicate is due to break today.

The issue yesterday was assigned a triple-B rating by Standard & Poor's, two notches below Moody's A-3 rating for China's foreign currency debt.

However, Standard & Poor's stressed its positive rating outlook for China which "reflects the likelihood that political and macroeconomic developments in China will support progressive, albeit uneven, implementation of the economic reform programme which over time should strengthen policy-makers' ability to manage future inflation and external payments pressures".

INTERNATIONAL BONDS

In the Eurosterling market, the Royal Bank of Scotland issued £500m of 10-year bonds via S. G. Warburg, UBS and the Royal Bank of Scotland. The bonds were priced to yield 40 basis points above the 6¾ per cent gilt due 2004. After the bonds were freed to trade, the spread widened slightly, traders said. While one of the lead managers reported strong continental European and Asian demand for the issue, other dealers said placement was likely to be slow.

"It was too big and a bit too tight for current market conditions," said one trader. After the recent slew of issues by financial institutions, he said investors were more interested in high-quality corporate paper. However, traders said more financial institutions were queueing up to tap the sterling market, especially in the undated sector.

Elsewhere, General Electric Capital Corporation issued $250m of two-year bonds via CS First Boston. Yielding two basis points over Treasuries at the re-offer price, the deal was deemed to be tightly priced. However, the lead manager said the spread was largely irrelevant as the paper would be placed with European retail investors who were keen on short-dated dollar bonds from a top-notch borrower. He pointed out that most GECC bonds traded at yields well below Treasuries.

The European Investment Bank is said to be preparing the launch of the first Greek drachma Eurobond. Market sources are talking of bonds with a coupon of no more than 18 per cent and a five-year maturity, to be issued in the next two weeks. The HSBC Group and a Greek bank are tipped as lead managers.

● The Republic of Iceland made its debut in the Yankee bond market, issuing $200m of 10-year notes via J. P. Morgan Securities. The 6¼ per cent notes were priced to 57 basis point over the relevant US benchmark.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Peoples Republic of China	1bn	6.50#	99.406R	Feb.2004	0.375R	+85 (5¾%-03)	Merrill Lynch Intl.
General Electric Capital Corp.	250	4.25	99.99R	Mar.1996	0.125R	+2 (4%-96)	CS First Boston
STERLING							
Royal Bank of Scotland	600	6.825	98.935R	Mar.2004	0.35R	+40 (6¾%-04)	UBS/SG Warburg Securities
FRENCH FRANCS							
Abbey Natl.Treas.Services(a)	2bn	6.00	99.41R	Feb.2004	0.375R	+38 (5½%-04)	CDC/ SBC France
CCCI(b)	500	6.00	98.16R	Feb.2002	0.35R	+66 (8½%-02)	CDC
ECUS							
Crédit Local de France(c)	300	5.25	99.55R	Dec.1999	0.25R	-	Lehman Brothers/SBC

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Issue launched on 18/1/94 was increased to FFr5bn. b) Issue launched on 27/1/94 was increased to FFr2.5bn. c) Short 1st coupon.

China to issue Yn100bn in Treasuries this year

By Tony Walker in Beijing

China is planning to issue Yn100bn in Treasury bonds for 1994 to meet the voracious demands of infrastructure spending. This more than doubles last year's Yn40bn float.

The finance ministry on Tuesday began marketing a second batch of bonds for the year worth Yn10bn. The one-year bonds carry an interest rate of 11.98 per cent.

Chinese officials expect a better response to this year's flotation than last year. The government encouraged individuals and institutions in 1993 to buy bonds after a disappointing response.

Investors found coupon rates in an inflationary environment on the 1993 issue unappealing. They favoured alternatives such as equities, but the poor performance of China's stock markets this year will have improved bond prospects.

The finance ministry said the doubling of the bond issue for this year compared with 1993 was dictated by government demand for funds.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	121.6100	-0.130	6.20	6.20	6.66
Belgium		7.250	04/04	105.8800	+0.050	6.44	6.54	6.49
Canada *		7.500	12/03	107.6000	-0.200	6.44	6.44	6.65
Denmark		7.000	12/04	107.3000	-0.270	6.06	6.06	6.13
France	BTAN	8.000	05/98	110.8100	-0.010	5.10	5.12	4.99
	OAT	5.500	04/04	98.1000	-0.230	5.75	5.71	5.70
Germany		6.000	09/03	101.9900	-0.190	5.72	5.74	5.62
Italy		8.500	01/04	101.3600	+0.410	8.29†	8.38	8.58
Japan	No 119	4.800	06/99	107.6410	-0.450	3.14	2.97	2.36
	No 157	4.500	06/03	108.9050	+0.070	3.52	3.46	3.06
Netherlands		5.750	01/04	100.6500	-0.070	5.66	5.69	5.61
Spain		10.500	10/03	117.7500	-0.300	7.82	7.88	8.18
UK Gilts		9.750	01/98	114-03	-2/32	5.68	5.72	5.78
		6.750	11/04	103-22	-	6.22	6.17	6.28
		9.000	10/08	122-16	-6/32	6.59	6.52	6.53
US Treasury *		5.750	08/03	100-02	-7/32	5.74	5.73	5.87
		6.250	08/23	99-08	-11/32	6.31	6.27	6.39
ECU (French Govt)		6.000	04/04	100.1100	-0.160	5.98	6.00	5.99

London closing. *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates — Treasury Bills and Bond Yields

		One month	3.04	Three year	4.47
		Two month	3.07	Five year	5.11
Prime rate	6	Three month	3.12	10-year	5.74
Broker loan rate	5	Six month	3.31	30-year	6.31
Fed.funds	3½	One year	3.59		
Fed.funds at intervention	3 1/16	Two year	4.21		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.48	130.30	-0.24	130.52	130.28	171,841	151,910
Jun	130.00	129.86	-0.22	130.06	129.84	775	12,510
Sep	129.18	129.04	-0.22	129.18	129.18	2	3,485

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
129	1.46	-	1.65	0.12	0.81	1.56
130	0.70	1.10	-	0.38	1.25	-
131	0.25	0.70	-	0.92	-	-
132	0.06	0.38	-	-	-	-
133	0.02	0.20	-	-	-	-

Est. vol. total, Calls 22,969 Puts 20,023. Previous day's open int., Calls 288,111 Puts 328,676.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.36	100.35	-0.06	100.48	100.26	91205	184488
Jun	100.33	100.29	-0.06	100.39	100.25	666	5193

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10000	0.58	1.05	0.23	0.76
10050	0.31	0.79	0.46	1.00
10100	0.15	0.59	0.80	1.30

Est. vol. total, Calls 8971 Puts 18111. Previous day's open int., Calls 244898 Puts 171488

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.09	103.04	-0.07	103.12	102.99	1138	8420

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118.81	118.81	-	118.93	118.65	33979	83631
Jun	119.06	119.05	-	119.15	119.04	304	5947

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11850	0.91	2.40	0.60	1.85
11900	0.66	2.15	0.85	2.10
11950	0.40	1.91	1.09	2.36

Est. vol. total, Calls 1654 Puts 1791. Previous day's open int., Calls 60097 Puts 57584

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	106.92	106.76	-0.18	106.95	106.70	68,006	100,907
Jun	106.75	106.72	-0.16	106.93	106.70	1,424	9,110

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118-18	118-18	-	118-26	118-11	62569	109341
Jun	117-28	117-30	-0-01	118-04	117-26	498	957

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
118	1-03	1-45	0-31	1-49
119	0-33	1-16	0-61	2-20
120	0-14	0-57	1-42	2-61

Est. vol. total, Calls 5176 Puts 3439. Previous day's open int., Calls 102309 Puts 69014

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.46	121.34	-0.12	121.46	121.32	3,573	14,330
Jun	-	96.44	-0.12	-	-	-	181

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	116-02	116-08	+0-02	116-14	115-31	388,173	337,978
Jun	114-29	115-05	+0-02	115-11	114-27	7,380	23,469
Sep	113-29	114-07	+0-04	114-10	113-28	2,108	34,005

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	114.15			114.20	114.05	1914	0
Jun	113.01			113.01	112.94	395	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Feb 2	Day's change %	Tue Feb 1	Accrued interest	xd adj. ytd		Low coupon yield Feb 2	Feb 1	Yr. ago	Medium coupon yield Feb 2	Feb 1	Yr. ago	High coupon yield Feb 2	Feb 1	Yr. ago
1 Up to 5 years (25)	129.22	-0.06	129.30	1.65	1.23	5 yrs	5.69	5.66	6.35	5.91	5.88	6.97	6.02	5.98	7.17
2 5-15 years (21)	161.03	-0.14	161.26	1.43	1.97	15 yrs	6.47	6.44	8.06	6.58	6.55	8.54	6.75	6.74	8.81
3 Over 15 years (8)	187.32	-0.40	188.07	1.25	1.79	20 yrs	6.57	6.53	8.40	6.60	6.57	8.75	6.77	6.75	8.91
4 Irredeemables (6)	226.58	-0.68	228.14	2.56	0.00	Irred.†	6.65	6.60	8.81						
5 All stocks (60)	155.96	-0.17	156.22	1.51	1.67										

Index-linked							Inflation 5% Feb 2	Feb 1	Yr. ago	Inflation 10% Feb 2	Feb 1	Yr. ago
6 Up to 5 years (2)	191.47	+0.03	191.41	1.69	0.00	Up to 5 yrs	2.25	2.25	2.17	1.39	1.39	1.37
7 Over 5 years (11)	192.44	+0.08	192.28	0.63	0.57	Over 5 yrs	2.93	2.93	3.71	2.75	2.76	3.53
8 All stocks (13)	191.39	+0.07	191.25	0.74	0.51							

Debentures and Loans						5 year yield Feb 2	Feb 1	Yr. ago	15 year yield Feb 2	Feb 1	Yr. ago	25 year yield Feb 2	Feb 1	Yr. ago
9 Debs & Loans (65)	157.17	-0.37	157.78	2.79	0.58	7.41	7.39	8.73	7.54	7.50	9.84	7.62	7.58	9.84

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 2	Feb 1	Jan 31	Jan 28	Jan 27	Yr ago	High*	Low*
Govt. Secs. (UK)	108.05	106.37	106.46	106.36	106.28	95.26	107.80	93.28
Fixed Interest	132.33	132.59	132.44	132.37	132.63	110.87	133.87	106.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 1	Jan 31	Jan 28	Jan 27	Jan 26
Gilt Edged bargains	111.3	97.8	146.1	135.8	165.5
5-day average	131.3	131.8	132.3	123.6	121.8

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	Low
Shorts" (Lives up to Five Years)						
Treas 5½pc 1994	8.48		100 9/32 xd		102	100
14½pc 1994‡‡	14.50	-	100xd	-1/4	109¾	100
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	Low
8pc 2003‡‡	7.14	6.47	111	-1/4	113	97
10pc 2003	7.98	6.42	125¼xd	-1/4	127	109
Treas 11½pc 2001-4	8.97	6.48	128¼		129	116
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or –	1993/94 High	Low
Index-Linked (6)						
Treas. 2pc '94 (102.9)	-	-	137		137	131
2pc '96 (67.9)	1.18	2.18	202		204	184
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]

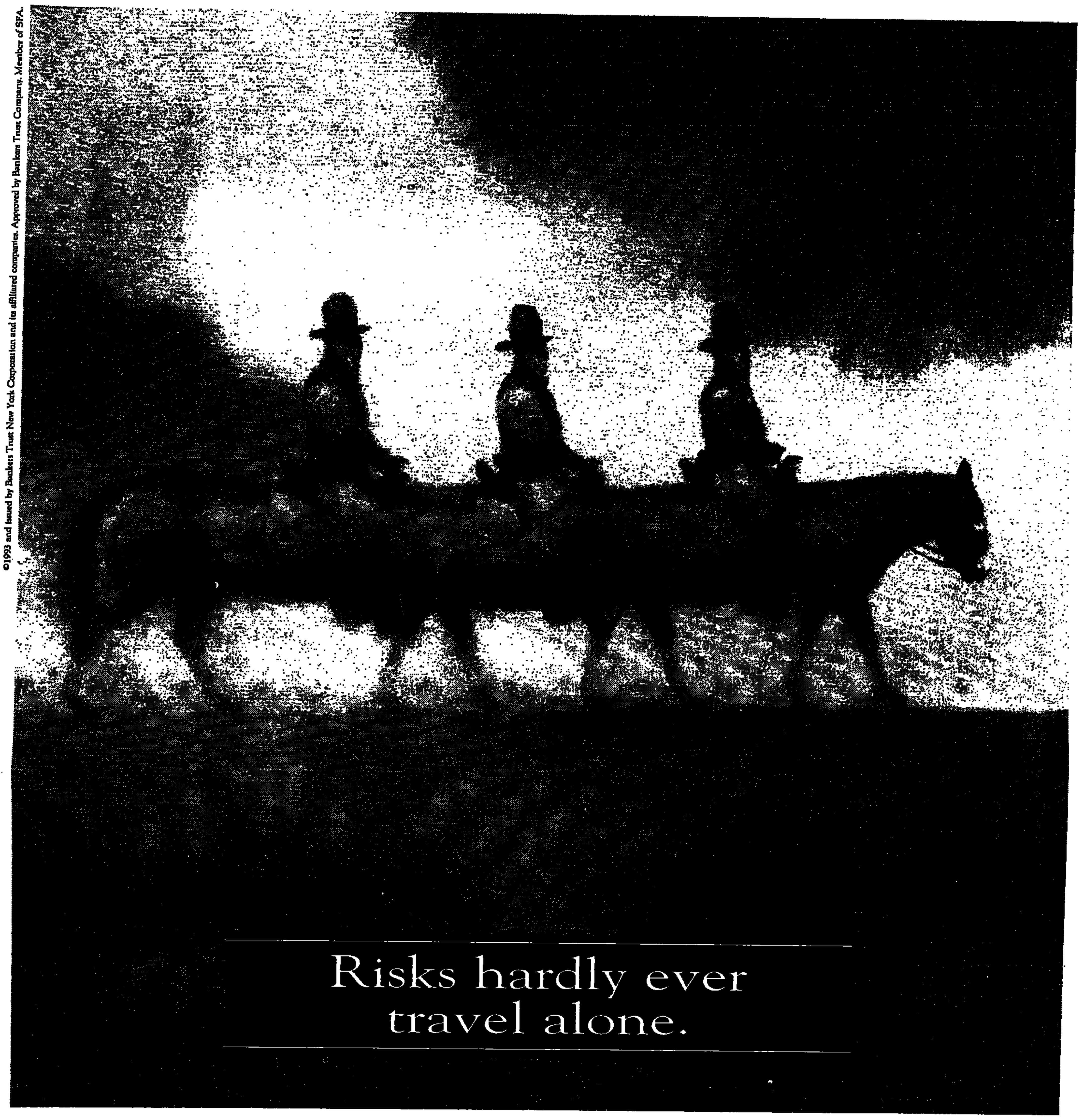
FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on February 2

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	101⅛	101⅝	-⅛	6.29
AlbertaProvince 9⅜ 95	600	108⅛	108½		4.38
Austria 8½ 00	400	114¼	114½	-⅛	5.63
Bank of Tokyo 8⅜ 96	100	107⅛	107¼		4.82
Belgium 9⅝ 98	250	118⅛	118⅝	-⅛	5.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 7¼ 97	5500	105⅝	106⅛		5.12
Volkswagen Intl Fin 7 03	1000	104¼	104⅝	+½	6.37
World Bank 0 15	2000	28⅜	28⅝	-⅛	5.93
World Bank 5¼ 98	300	102⅞	103¼		4.30
World Bank 8¾ 00	1250	117⅛	117½		5.42
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alliance Leics 11⅜ 97 £	100	115½	116		5.99
British Gas 12¾ 95 £	300	107¼	107⅝		5.32
British Land 8⅞ 23 £	150	106	106½	-⅛	8.50
EIB 10 97 £	637	111⅝	112		5.88
Halifax 10⅜ 97 £	100	112½	112⅞		5.82
Hanson 10⅜ 97 £	500	113⅛	113⅝		6.29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

© The Financial Times Ltd., 1994. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association.

• "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.



Risks prowl ceaselessly around every business. Usually, they hunt in packs. Dealing with them piecemeal is ineffective. More often than not, they're linked.

Nowhere is that linkage more intricate than in the airline business. Fuel prices, interest rates, currency swings, load factors, even political pitfalls – each risk has to be examined in light of the others.

To bring an element of stability to an industry that changes minute by minute, Bankers Trust has found a way of analysing the airline business and attaching a monetary value to many of the operational risks it faces. A risk management plan that can turn volatility into profitability.

With our hands at the reins, you'll see which risk will hurt you and which you'll profit by. So risk will do your bidding, not take you unawares.

Bankers Trust

LEAD FROM STRENGTH.

Fyffes plans expansion in Europe and the US

By Tim Coone in Dublin

Fyffes, the fresh fruit and vegetable distributor, is planning this year to diversify out of its UK and Ireland base into continental Europe and the US to boost sales of bananas. The move is aimed at sustaining earnings growth into 1995.

The plans were announced yesterday alongside results for the year to October 31 which were better than expected following difficult trading in the previous 12 months.

On turnover up 17 per cent at I£611.4m (£593m), compared with I£524.3m, pre-tax profits rose 11 per cent to I£31.8m (I£28.5m), slightly ahead of market expectations.

The increase largely reflected improved foreign exchange rates with the UK, which accounts for 60 per cent of group turnover.

Mr David McCann, managing director, said that total banana sales in 1994 were projected to grow to 28m boxes, against 17m in 1993 and 14m in 1992. The increase was largely a result of new supplies coming on line from a 9,000 acre plantation in Guatemala, which Fyffes was helping to finance.

He said that up to 2m boxes would be sold in the US, a new market which was opened last November, with most of the remainder going into continental Europe.

At the end of the period Fyffes had cash of I£92m. Net interest contributed a lower I£9.61m (I£10.9m) as a result of falling rates. Interest income is expected to decline further this year to about I£6m, putting pressure on the company to use its cash for acquisitions to maintain the momentum of earnings growth.

The company spent I£12m on acquisitions in 1993, and I£20m in capital expenditure, mainly on improving distribution and ripening facilities.

Operating profits grew by 25 per cent to I£21.4m (I£17.1m). However, brokers estimate that to achieve earnings growth of 10 per cent in 1994, operating profits will have to advance by at least I£6m this year to offset the anticipated fall in interest income.

Earnings per share were 6.1p (5.9p) and a 10 per cent increase in the final dividend of 0.9876p per share is recommended for a total of 1.378p (1.2527p).

● COMMENT

Fyffes' ambitions in Europe and the US are finally bearing fruit since the company secured a supply of low-cost Central America "dollar" bananas after a five-year struggle. In contrast to Geest, its main UK competitor, Fyffes has not been affected by Black Sigatoka disease in Central America, nor seemingly by uncertainties still surrounding the EU banana regime. Since the regime's introduction in July prices have fluctuated sharply. Fyffes has indicated it is seeking earnings growth of at least 10 per cent this year, which would imply a prospective p/e of about 16 on shares up 5p yesterday at 105p. Although a slightly higher rating than Geest's shares, its modesty reflects Fyffes' vulnerability to further challenges to the EU banana regime by Latin American producers. Moreover, Fyffes' plans to expand European sales volumes may come at the expense of profits if oversupply recurrs and prices weaken again.

German market for Bradford & Bingley

By David Waller in Hamburg

Bradford & Bingley, the UK's seventh largest building society, launched its assault on the German retail financial services sector yesterday with the declaration that it was aiming for 5 per cent of the German building society market.

Mr Geoffrey Lister,. B&B's chief executive, told a press conference in Hamburg that it was also planning to open up a full-scale branch office this summer under EU legislation.

That would allow Mr Bradford and Mr Bingley, the famous bowler-hatted figures used in the society's UK marketing, to take on the German mortgage banking market in addition to the Bausparkassen, the German equivalent of building societies.

Mr Lister pointed out that the initial DM13m (£4.9m) investment was small in relation to the market potential, and the society would expand cautiously.

In November B&B became the first foreign institution to receive authorisation from German banking regulators to establish a Bausparkasse. The new institution – known as B&B Bausparkasse in Europa – plans to take deposits from next month and will start lending in a few years.

There are currently 34 Bausparkassen which between them have about 15 per cent of the highly regulated German home loan market. Mr Lister said that the plan was to win 1 per cent of the Bausparkassen market – or 50,000 savings contracts – within a year but that in the medium term five times that level of business was a realistic target.

B&B picked on the German market for expansion abroad after exhaustive studies of market opportunities throughout continental Europe. The appeal of the German market lies in the low level of home ownership – 40 per cent as opposed to a European average of 60 per cent – as well as the perception that the German mortgage finance sector is underdeveloped by the standards of the highly competitive UK market.

B&B has founded a marketing subsidiary which, like the Bausparkasse, will be based in Hamburg. The aim will be to make a variety of UK financial services products available to the man in the Hauptstrasse.

The importance of being biggest

Andrew Jack looks behind J Sainsbury's plan to switch auditors

The high street retailer, J Sainsbury, yesterday confirmed that it is planning to switch auditors from Clark Whitehill to Coopers & Lybrand from the 1994 financial year.

The announcement sent a frisson of fear around the remaining medium-sized accountancy firms that audit large quoted companies and who are seeing their clients captured by their largest "Big Six" competitors.

The senior partner of one firm said yesterday: "I have watched this news with great tension. One is constantly aware that there are fewer and fewer firms outside the Big Six, and there is more and more marketing to obtain them."

For Clark Whitehill, it represents a painful dilution after acting as accountants to Sainsbury since the turn of the century. According to published information, audit fees of the group were £400,000 in 1991 and £500,000 in both 1992 and 1993. In addition, non-audit fees such as tax work paid to the auditor were £800,000 in 1992 and £700,000 last year.

Most of these fees were paid to Clark Whitehill, which audits all Sainsbury subsidiaries except Shaw's, its US supermarket chain, which was audited by Arthur Andersen.

The revenues are a significant proportion of the firm's total fee income, which last year was £53m. That compares with billings reported in the UK by Coopers & Lybrand last year of £553m. Sainsbury was also Clark Whitehill's most well-known client, although it retains the audits of about 10 other quoted companies.

Under the proposals to be put to Sainsbury's shareholders at the annual meeting on July 6, the firm will be superseded by Coopers for the 1995 financial year.

Tony Andrews

David Sainsbury: a need for a well-known accountancy name

During 1994, it will remain joint auditor to ease the transition. After then, it will retain some other work, including auditing the pension fund and acting as a corporate and personal tax adviser.

Sainsbury is believed to have already hived off some non-audit work to other accountancy firms in the past few years, and to have felt that until now the audit was a relatively uncontroversial activity since it was satisfied with its own internal controls and financial management.

But it decided in the past six months that it needed a larger firm of auditors, and held a competitive tender in which it finally selected Coopers over KPMG Peat Marwick.

Coopers' bid emphasised its international strength – as the second-largest network of accountancy firms around the world – as well as its experience in the retail sector.

Speculation surrounds the reasons for the change. Sainsbury rejected suggestions that the decision was based on price, although the Coopers audit fee is not expected to be very different from the existing level.

It denied that the change had anything to do with substantial changes in accounting policies announced last Friday, when it began to depreciate its buildings and made a one-off £365m property write-down.

The company has also rejected speculation that the change has anything to do with the legal and professional disciplinary action against Clark Whitehill partners in connection with alleged failure to supervise Mr Nick Young, a former executive director of the firm's international network who was convicted for forgery and deception at the Old Bailey three years ago.

Mr David Sainsbury, chairman and chief executive, said in a statement yesterday that it reflected the need for a firm "with a wide range of international experience and a number of other multinational corporate clients".

The company added last night that the decision was more to do with the need for a well-known accountancy name as part of its desire to raise finance than its own international expansion plans.

It is this image of respectability by the Big Six accountancy firms, the large law firms and merchant banks, that presents perhaps the greatest challenge to the middle-sized firms attempting to retain their large clients.

The importance of name recognition was illustrated by one adviser to a large company contacted yesterday, who said: "Clark Whitehead? I've never heard of them."

The Big Six are aggressively marketing their technical strengths and international networks to companies held by their smaller rivals. Their opponents point to the likelihood of larger firms offering less individual attention from partners, costly bureaucracies of larger firms as well as to the writs outstanding suggesting their audits may not be so perfect.

However unjustified, it is clear that the trend to larger auditors is likely to continue. Just two FT-SE 100 companies are still audited by a firm outside the Big Six: Pannell Kerr Forster for Williams Holdings and BDO Binder Hamlyn for Southern Electric.

Both companies said yesterday that they had no plans to change. Mr Nigel Rudd, chairman of Williams, said: "Pannell's auditing standards are excellent and unlike the Big Six firms I am not aware of litigation on their audit work."

Brent Walker asks lenders for extension on debt deal

By Maggie Urry

Brent Walker, the property and leisure group, is asking its lenders to take preference shares rather than cash interest for a longer period than originally planned because of the "continued deterioration in its balance sheet position".

In a circular to holders of its variable rate notes it also reveals that net liabilities which stood at £629.8m at June 30 last year had risen again by the year end. It said that the risks the company is facing meant that all classes of its securities remained "extremely speculative" investments.

Under the terms of its refinancing, agreed in March 1992, the banks which advanced an £827m term loan and the bondholders who took variable rate notes in part exchange for their convertible bonds agreed to be paid interest in preference shares up to the end of 1995. After that Brent Walker was to pay interest in cash, which it hoped to be producing from its pubs and betting shop chains by then.

Now the company is seeking to extend the period of non-cash interest payments to the end of 1997. It is also asking the banks to extend its £68.9m working capital facility from March 31 this year to December 31 1997.

Brent Walker said yesterday that a majority of the term loan lenders had agreed in principle to the change, and it expected to have these amendments tied up by the end of this month.

The circular called a meeting of noteholders for February 25 to consider the change in the interest payments. The quorum for the meeting is high at two thirds of the value of the notes in issue, and the resolution to approve changes will need a three quarters majority to be passed.

The company, which is in the process of replacing the £350m loan secured on its William Hill betting shop business with a new £370m facility, also said it needed to amend some of the terms of this loan.

Girobank integration boosts Alliance

By Alison Smith

Alliance & Leicester, the UK's fourth largest building society, announced yesterday that it is to integrate personal customers of its Girobank subsidiary.

From May the 1.4m personal Girobank customers will be transferred to A&L although they will still have access to post office facilities and telephone banking services.

The move will bring to A&L about half of Girobank's balance sheet, including retail savings expected to amount to about £1bn.

A&L bought Girobank from the Post Office for £112m in 1990, and there has been considerable recent speculation among building societies as to how the relationship between the two would be resolved.

The move was made possible by the Alliance & Leicester (Girobank) Act 1993. It will not affect Girobank's corporate banking activities, including the cash-handling business and transaction processing operations.

Mr Peter White, A&L's chief executive, said the change would enhance the opportunities for cross-selling financial products to A&L's customers.

He said its strategy was "relationship- rather than product-driven", and that customers would benefit as all the personal financial services of the group were more readily available to them.

The extra liquidity which the transfer will bring to A&L stands it in good stead as the market for mortgage lending recovers.

It is likely to represent an increase of about 10 per cent in A&L's existing retail deposits of about £10bn.

Including Girobank, A&L has about 5.5m personal customers.

Only the relatively small number of Girobank mortgage borrowers will become A&L shareholders, with the majority of customers, with current and savings accounts, becoming depositors.

Ferranti wins RN contract

By David White, Defence Correspondent

Ferranti International, the electronics company in administrative receivership since December, has won a preliminary contract to equip two new assault ships for the Royal Navy.

The contract, although worth only about £200,000 for the final "project definition" phase, provides an important boost for Ferranti's naval command and control business, one of its key remaining defence activities.

It has beaten competition from GEC-Marconi and BAeSema, the joint venture between British Aerospace and the Sema systems company which in recent years has ousted Ferranti from a near-monopoly in UK naval command systems.

Both BAe and GEC-Marconi are among companies short-listed as possible purchasers of the bulk of Ferranti's businesses.

Joint receivers Mr John Talbot and Mr Murdoch McKillop of Arthur Andersen, described the contract as "very significant" in demonstrating the company's long-term potential.

They were optimistic that formal purchase negotiations for Ferranti could start in March.

About eight companies, also including Thorn EMI and Thomson-CSF of France, are expected to be asked to submit "indicative" bids by the end of this month.

Ferranti won a contract last autumn for a similar system for the navy's new helicopter carrier. The first of the two planned assault ships is due to be ordered by the end of next year.

QMH agrees two-month standstill

By Maggie Urry

Queens Moat Houses and its lenders yesterday agreed on a two-month extension of its standstill arrangement which expired on Monday.

The group is in talks with bankers over a restructuring of its £1.3bn of debt, which it is unable to service.

Mr Andrew Coppel, chief executive, said the situation was extremely complex and "various issues have had to be addressed and continue to be addressed."

The group was endeavouring to implement the planned financial restructuring "as soon as practicable." Satisfactory progress was being made.

The two-month extension appeared to be something of a compromise. QMH had been believed to be seeking breathing space to the end of April, by which time it would have finalised its 1993 accounts and have put proposals for the restructuring to banks, bondholders and shareholders.

The banks appeared to prefer to roll-over the standstill agreement on a monthly basis.

Extending the arrangement until the end of March should allow QMH to issue its preliminary figures for 1993, but it would be a tight deadline to complete the restructuring.

Huntingdon shows decline to £1.23m in first quarter

By Gerard Baker

Pre-tax profits at Huntingdon International Holdings, the life sciences and engineering services group, fell by 67 per cent from £3.73m to £1.23m in the three months to December 31 1993.

The fall, which had been flagged in a warning last month, reflected a sharp drop in profits at the company's US engineering and environmental services business.

For the year to last September there was a 39 per cent drop in profits to £8.79m.

Turnover, net of subcontract costs, was 5 per cent lower at £38.1m (£40.1m).

US turnover (50 per cent of the total) fell by 12 per cent in dollar terms as demand for environmental services fell well below the company's expectations.

Operating profits in the US were also affected by a large increase in contingency provisions and fell from £2.02m to £370,000.

The Life Sciences group in the UK saw turnover fall from £9.86m to £9.56m and operating profits decline to £1.78m (£2.14m) as a result of delays in project start-ups and the effects of a staff flu epidemic on volumes.

Mr Bernie Wooley, chief executive, said that despite the setback the company intended to maintain its capital investment programme and remained confident in the long-term operating potential.

Earnings per share fell from 2.9p to 1p.

The shares were unchanged at 114p.

Algerian oil and gas discovery for Lasmo

By Robert Corzine

Lasmo, the independent oil exploration and production company, yesterday announced a discovery in Algeria.

The well, which is operated by Anadarko of the US, Lasmo's partner in the venture along with Maersk of Denmark, was tested at 4,900 barrels of oil a day and 6.3m cu ft of natural gas.

Mr Joe Darby, chief executive, said the partners were considering an early appraisal of the find. "The prospects for a commercial discovery are quite good," he said.

Last year Lasmo and its partners announced an oil and gas find south of the latest discovery. Two more exploration wells are to be drilled in the area, which is in a relatively remote area south-east of the town of Hassi Messaoud. The discovery is about 50km from the nearest pipeline.

Oil operations in the region have so far been untouched by the political violence directed against foreigners in Algiers, although American drilling crews are flown to the site directly from Texas.

The new Algerian discovery follows an announcement last month that Lasmo's gas reserves off Indonesia, one of its biggest assets, had been upgraded by 13 per cent.

See People

Restructured HSBC offshoot rises to A$30m

HongkongBank of Australia, the Australian subsidiary of HSBC Holdings, yesterday reported post-tax profits of A$30m (£14m) for 1993, against A$8.1m in 1992.

The bank, which has been restructured over the past three years, raised operating income to A$143m (A$116.8m) while reducing costs slightly to A$85.9m (A$86m). Provisions for bad debts rose to A$25.6m (A$21.3m).

Total assets increased by 9.3 per cent to A$3.2bn. The capital adequacy ratio rose from 9.4 per cent to 10 per cent.

Assets under custody held by the group securities division were A$1bn in the first year of operation. The stockbroking arm, James Capel Australia, returned to profitability.

HSBC Holdings shares closed 26p up at £10.40p.

Baring Venture in US link for media fund

By Richard Gourlay, Growing Business Correspondent

Baring Venture Partners and Communications Equity Associates, a US provider of investment banking services to the media industry, have raised a $65m (£43.3m) venture capital fund aimed exclusively at unquoted media and communications companies in Europe.

Baring Communications Equity has taken five months to raise the fund, which will be invested in "classic development capital for companies that are still growing fast." It will not fund start-ups.

Mr Terrence Tehranian, a partner in BCEL, said the fund would be the biggest in Europe to invest in the sector.

The number of new licenses being issued, deregulation and the breaking up of state-wned monopolies made the area particularly attractive.

BCEL will invest in four main areas – cable and satellite television, terrestrial broadcasting, publishing and telecommunications, with a focus on the UK, Germany, France and Spain.

Mr Jeff Montgomery, a BCEL partner, said that in the US some $3.5bn (£2.3bn) of private equity was focused on the media and communications industry; the advertising growth rate in the sector, however, had fallen to about 1 per cent a year.

In Europe, by contrast, a tenth of that sum was dedicated to media and communications companies, which were enjoying significant growth.

A number of other venture capital companies have tried without success in the last three years to raise funds focused on the media.

Fidelity launches new smaller Japanese trust

By Bethan Hutton

Fidelity Investments is launching an investment trust specialising in smaller Japanese companies.

Mr Simon Fraser, manager of Fidelity Japanese Values, said he believed such companies were poised to benefit from a cyclical recovery, as well as deregulation and other structural changes in the Japanese economy.

Fidelity already has a unit trust covering this area but is hoping to attract more institutional investors with the investment trust structure. The minimum size of the fund will be about £25m, but Fidelity expects demand to be greater than that.

The public offer period will run from February 22 to March 8 and dealings are due to start on March 15. Ordinary shares will be priced at 100p, with one warrant attached to every five shares, and issue expenses capped at 4.5 per cent.

The trust will be between 20 and 25 per cent geared from the outset, using equity index-linked loan stock, tied to the FT-A Japan Index.

Plasmon buys Intl Data Eng

Plasmon, a privately-owned manufacturer of optical memory disks and disk systems, has paid an undisclosed amount to acquire International Data Engineering, a US company which makes the robotics at the heart of optical disk storage systems.

Plasmon makes about 10,000 optical disks a month; its optical storage systems, or jukeboxes, cost between £9,000 and £200,000. Turnover was £13.5m last year, with profits of £292,000.

IDE is based in Minneapolis, Minnesota, where it makes jukebox mechanisms and tape autoloaders.

DIVIDEND ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Fyffes ....Irn	0.9876	Apr 11	0.8978	1.378	1.2527

Dividend shown Irish pence per share net.

PUBLIC WORKS LOAN BOARD RATES
Effective February 1

	Quota loans*		
Years	EPT	ANN	maturity
1			5
Over 1 up to 2	5⅛	5⅛	5½
Over 2 up to 3	5⅜	5⅜	5⅝
Over 3 up to 4	5½	5½	5⅞
Over 4 up to 5	5⅝	5⅝	6
Over 5 up to 6	5¾	5¾	6⅛
Over 6 up to 7	5¾	5⅞	6⅜
Over 7 up to 8	5⅞	6	6½
Over 8 up to 9	6	6⅛	6⅝
Over 9 up to 10	6⅛	6¼	6¾
Over 10 up to 15	6½	6⅝	6⅞
Over 15 up to 25	6⅞	7	7
Over 25	7	7	7

*Non quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ‡‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only

Bridon faces hefty revamp charge

By Tim Burt

Bridon, the wire rope and engineering products manufacturer, yesterday announced a restructuring aimed at streamlining production and expanding sales overseas.

The move, the culmination of a six-month strategic review at the Doncaster-based group, is expected to lead to exceptional provisions of up to £25m in the year to December 31.

The likely charge – up sharply on restructuring costs of £1.2m at the interim stage – sent the shares tumbling 25p early yesterday, although they later rallied to close up 4p at 160p.

Initial market fears were raised by warnings of redundancies, asset disposals and the possible closure of at least one of Bridon's 12 factories, which make products for the construction, mining and offshore exploration industries.

Mr Ronald Petersen, chief executive, said: "We will be streamlining the management structure and anticipate disposals of non-core businesses. There is also one factory in the system which is surplus to requirements."

The restructuring, prompted by difficult market conditions and increasingly competitive pricing by rivals, would also include write-offs of overvalued assets, he added.

Nevertheless, the group said it expected to "broadly break even" before exceptional costs in the second half.

In the six months to June 30, the group reported pre-tax profits of £1.1m (£700,000) on increased turnover of £112.6m (£107m).

Mr Petersen, who joined the group last September from Insituform – the US pipe-lining business, said the review would create new opportunities for growth.

"Bridon has not made sufficient money over the past four years. It has remained cash positive only because of careful asset management and tight cost control."

The full recommendations of the review will be published on March 24, when a new management structure would be in place, he added.

Codenamed Project 360, because of its panoramic perspective of the company, the review is likely to recommend increased emphasis on Bridon's 76 "sling shop" sites around the world, which convert wire rope into slings for cranes and construction gantries.

Despite the size of the provision, Mr Petersen was confident that the restructuring costs would be met from cash flow resources and increased borrowing.

Gearing is understood to be less than 15 per cent, and the group said its main lenders had responded positively to the plans.

Bridgeport Machines tools up in east Asia

By Andrew Baxter

Bridgeport Machines is to become one of the first UK machine tool builders to manufacture in east Asia following the signing of a memorandum of understanding to create a joint venture in Indonesia.

The Leicester-based company, in conjunction with its US parent, is forming a new company with Indonesia's PT Texmaco Perkasa Engineering, which makes textile machinery, and Megatech, an investment company.

Bridgeport Perkasa Machine Tools will make a range of machines from the manually-operated Bridgeport turret mill to computer-controlled machining centres for the fast-growing Indonesian, Asean and Australasian markets.

Mr Malcolm Taylor, managing director of Bridgeport Machines, said the company already had a good market in east Asia but would not say how much he expected to increase sales in the region following the deal.

The deal was important, however, as it would enable the company to build machines closer to customers, giving it an advantage in a highly-competitive market.

COMPANY NEWS: UK

Worries about family values

NFC's recent rights issue, which diluted employees' shareholdings, caused some disquiet at the AGM. Andrew Bolger reports

Sir Peter Thompson (left) accused his successor, James Watson, of putting NFC's culture at risk

Annual meetings of NFC, the transport and logistics group, have always been distinctive occasions, ever since the former National Freight Consortium was the subject of an employee buy-out in 1982.

Attended by up to 4,000 people, they have had a unique atmosphere, with current employees and pensioners keen to monitor the progress of one of the first nationalised industries to be privatised.

It was, therefore, like eavesdropping on a family row at the weekend to hear Sir Peter Thompson, who led the original buy-out, accuse his successor, Mr James Watson, of putting the group's traditional values at risk.

Sir Peter was upset that shareholders were not consulted before NFC's £263m share issue in December. Following a strategic review, the group plans to expand its distribution and removal businesses internationally.

However, there was no doubt that Sir Peter's real concern was that NFC's distinctive culture, based on employee ownership and participation, was in danger.

The rights issue will accelerate a process of diminishing employee control which started when NFC was floated in 1989. About 42 per cent of the equity was in private hands before the December rights issue and 85 per cent of the group's 32,000 employees are shareholders.

NFC does not yet know how far that proportion of equity held by employees has fallen as a result of the issue, but it is bound to have been diluted by institutional cash.

More symbolically, current employees – who had 13 per cent of the shares before the rights issue – enjoy double voting rights, but only so long as their total stake is more than 10 per cent.

The rights issue itself will not push the employees' share below this level, but the steady rate of share sales means that double voting is likely to be lost sometime this year.

Mr Watson, who succeeded Sir Peter in 1991, insisted that the "continuing evolution" of the group posed no threat to its core values. He said the fact that employees were shareholders was more important than the size of their stake.

Mr Peter Sherlock, the former Bass director who became chief executive last February, also insists that NFC's "enviable heritage and culture" is not in question – indeed, he says employee participation is a key element in the group's focus on service, through relaying what customers want.

The end of double voting will make NFC more attractive to investment institutions which dislike unusual share structures, but Mr Sherlock says of the provision: "We have never sought to implement it, or even contemplated it."

Mr Sherlock said the main reason for the rights issue was to give NFC some financial elbow room for its new focus. This involves the merger of the BRS transport operations and Exel Logistics in the UK, and the international expansion of both the distribution logistics operations and Allied and Pickfords, the moving service businesses.

With shareholders' funds of only £312m supporting a business with annual turnover of £1.9bn, NFC had very little room for manoeuvre. Before the rights issue it had gearing of 53 per cent and even a moderately sized acquisition would have pushed gearing up to unacceptable levels. The rights issue has left the group with net cash of £89m.

Sir Peter did not discuss the merits of the rights issue, saying he was sure that shareholders would have given their approval to any reasonable case made by the board. But, he protested: "We used to pride ourselves on sharing big decisions with employees and shareholders."

Mr Watson stoutly defended the board, saying he had flagged the need for a rights issue to previous shareholder meetings and advance notice of the rights issue could have undermined the NFC share price.

The AGM at Wembley approved all the resolutions before it and the chairman was applauded, although not as warmly as Sir Peter. Even board members who were irritated by the way the former chairman chose to air his complaints continue to have a high regard for Sir Peter, who in 1990 published a book on the NFC story, Sharing the Success.

Mr Sherlock believes the rights issue means NFC is entering a third phase, after the previous landmarks of the 1982 buy-out and 1989 flotation. He said: "It is much easier to articulate a philosophy of enhancing shareholder value if 85 per cent of the employees are shareholders. But we must not let it act as a restraint on the business, which employees also understand."

In some ways the rights issue is only the latest in a series of steps which has taken NFC away from its unusual origins and towards more conventional corporate practices.

In September the group confirmed it would end its unique tradition of giving "best view" forecasts of future profits. Developed to keep shareholder employees informed after the initial buy-out, NFC won special permission from the Stock Exchange to maintain the practice after flotation because many employees were not familiar with owning shares.

However, the group was advised that it could face legal challenges in the US if it failed to meet its best view forecast.

It would be wrong to suggest that NFC is already like any other company. The group still gives 1 per cent of profits to charities each year and the AGM enthusiastically applauded a video reporting how the group's charitable foundation spent £1.3m last year. It then presented a £50,000 cheque to the Macmillan Nursing appeal – half raised by employees, the rest matched by NFC. Some 10,000 retired employees take part in the pensioners' association, which has 71 branches in the UK.

The rights issue was well received by the City and the shares have since risen 15 per cent. Analysts welcomed the strategic review and are enthusiastic about NFC's prospects – as were shareholders at the AGM.

How far NFC can maintain its distinctive culture in the years ahead must remain an open question. However, no-one who attended the Wembley meeting could be in any doubt that the issue will be closely followed by the shareholders – not least Sir Peter.

Legal wrangle over Europa deal

By Kenneth Gooding, Mining Correspondent

Legal proceedings are being used to stall the proposed three-way merger between Europa Minerals and two Australian groups with which it is already associated – Burmine and Austmin Gold – Samuel Montagu, Burmine's adviser, claimed yesterday.

The claim came after Burmine was successful in discharging an injunction obtained by Mount Edon Gold, another Australian company, restraining Burmine from despatching its offers for Europa and Austmin.

Burmine also succeeded in having Mount Edon's action entered on the Western Australia Supreme Court's "expedited" list, which should ensure the action will be heard soon.

Mount Edon obtained the injunction by claiming that the proposed £15m offer by Burmine for Europa would be in breach of Australian Corporations Law and incapable of being implemented in its present form.

Samuel Montagu said the legal proceedings were being used by Mount Edon "to promote its own, unsuccessful takeover offer for Burmine".

Lower costs help Bucknall recovery

By Paul Cheeseright, Midlands Correspondent

Bucknall Group, the loss-making quantity surveyor diversifying into a wider spread of construction services, continued its recovery in the half year to October 31 and may reach break-even by the end of the year.

The pre-tax loss was £226,000, compared with £745,000 last time and £1.33m for the whole of 1992-93. Losses per share narrowed from 5.7p to 2.2p.

The key factors behind the reduced loss were an 18 per cent reduction in the cost base, reduced interest payments and a rising contribution from activities like facilities management. Margins remain under pressure.

Turnover increased to £8.97m (£8.2m), but was distorted by the passage through the accounts of consultants' fees in Germany.

Pointing to greater stability in the UK market and improved prospects internationally, Mr Richard Miles, chairman, noted the widening range of services the group is selling to the construction industry and said prospects for improvement are "better than they have been for some time".

BICC to form joint venture in China

BICC, the cables and construction group, has signed a letter of intent with Shanghai Cable Works, one of China's leading cable manufacturers, to form an equity joint venture.

Shanghai Cable produces a range of power, communication and specialist cables – including optical fibre cables – and achieved sales of about £70m n 1993.

The letter of intent envisages that BICC will take 51 per cent of the equity in the new joint venture.

This will be set up following a feasibility study which is expected to be completed by the end of May.

● In a separate move, Metrotect Industries, the pipeline protection products maker which went public in June 1993, is setting up a Chinese joint venture for the purpose of producing coal tar enamel, one of Metrotect's key products.

Production will be used for anti-corrosion coatings in the fast-growing Chinese pipeline market.

The Chinese partners are the Pipeline Bureau of Langfang, Hebei province, part of the China National Petroleum Corporation.

NEWS IN BRIEF

ADMIRAL has paid £1.25m cash for Training Centre, an independently-owned PC applications training company, which made a pre-tax profit of £311,000 on turnover of £1.1m for the year to end-April 1993.

ANGLO IRISH Banks received acceptances for its recent rights issue in respect of 118.8m shares (97.5 per cent); the balance has been sold.

BECKENHAM GROUP has sold its long-leasehold property at Andover, Hampshire, for £300,000 cash. The disposal of the surplus 18,500 sq ft light industrial premises is at a £10,000 discount to book value.

CELTIC GOLD is in discussions with parties interested in investing in it with a view to furthering exploration operations and broadening activities. Discussions are based on proposed issue of new shares at not more than 20p.

CEMENTONE: Acceptances to rights issue received in respect of 3.69m ordinary (94.63 per cent). Balance placed through market with institutions at 93½p per share.

FOSTER (JOHN) & Son is selling part of its Black Dyke Mills premises in Bradford for gross consideration of £1.45m. Proceeds will be used to cut debt.

GOVETT EMERGING Markets Investment Trust has invested 90 per cent of the proceeds of the offer of C shares and has set January 31 as the reference date for the conversion into shares and warrants.

GUINNESS PEAT: Brierley Investments has sold 20m ordinary (5.9 per cent) for NZ$0.95 per share and now holds 43.7m ordinary (12.9 per cent).

HIBERNIAN GROUP and FBD have discussed "in a very preliminary manner" their possible co-operation in life assurance, pensions and general insurance. Should the discussions continue it would be "several months" before any proposal, whether a merger or otherwise, would emerge.

IAWS GROUP has acquired, through its Fish Industries subsidiary, the UK fishmeal business of Nordos, an offshoot of British Petroleum, for £1.9m cash.

INDEPENDENT BRITISH Healthcare has acquired the partially built 50-bed Buckingham Hospital in Manchester from the receiver. It has also received permission to build and manage a 75-bed hospital in Malta.

JACKS (WILLIAM) has acquired from the receivers of the St Christophers Group a freehold dealership site in Clanfield, Hampshire, and has obtained the Land Rover franchise for a large part of south Hampshire. The dealership will operate as Wessex Land Rover.

LYNX HOLDINGS is buying Game & Playtime, the outdoor play equipment company, for a maximum of £515,600 satisfied by 300,000 shares, £216,600 cash and a profit-related £134,000.

SAATCHI & SAATCHI has disposed of all continuing business conducted by its wholly owned subsidiary, Hall Harrison Cowley. HHC provides advertising and public relations services, but is not considered to be within the compass of the core business.

SAGE GROUP, a supplier of accounting and business software for PCs, is extending its mainland European activities into Spain by acquiring 20 per cent of Extra Software for Pta40m (£188,000) cash.

SHERWOOD GROUP is to buy for cash 90 per cent of Intimate Touch, a New York-based seller and distributor of apparel lace with net assets of $1.3m at December 31 1992.

SMITHS INDUSTRIES is to acquire Sestrel Observator of Rotterdam and assets of Brown and Perring of London from Kopcke, a Rotterdam-based private company. The purchases extend Smiths' interests in the distribution of maritime charts and supplies.

UNICHEM is buying a pharmacy in Clwyd for £407,000 satisfied by the issue of 66,057 shares.

WAKEBOURNE has bought Source Two, the computer hardware company, for a nominal amount from the receivers.

COMMODITIES AND AGRICULTURE

US bulls drive aluminium and copper still higher

By Kenneth Gooding, Mining Correspondent

Money from US investment funds continued to flood into the metals markets yesterday, helping to boost prices on the London Metal Exchange and taking aluminium to its highest level in 16 months. Copper also benefitted from the buying spree, and rose to a five-month peak.

US funds have more than $25bn under management and most of their investment is technically-based, pointed out Mr Ted Arnold, analyst at the Merrill Lynch financial services group. Consequently, when the aluminium price broke through $1,270 a tonne yesterday, more buying by the chart-watching funds was triggered.

Aluminium stocks are at record levels and will take about a year to be whittled away even if the output cuts in prospect following the weekend deal reached by some of the big aluminium-producing countries take place. Yet the price for three-month metal continued to ignore the negative factors and last night closed on the LME at $1,276.50, up another $15 a tonne.

Mr Arnold said he did not share the euphoria that had enveloped the aluminium market after the deal, because there was too much scope for cheating and for the deal to unravel, but he could see aluminium's price rising to between $1,300 and $1,400 a tonne.

As copper for delivery in three months rose $46.50 to $1,935 a tonne on the LME Mr Arnold said: "The funds certainly did some copper buying today". He suggested that eventually, when the market's fundamental weakness asserted itself, copper's price would dip to 80 cents a pound ($1,763 a tonne) before an improving world economic performance took it back to 95 cents ($2,094 a tonne) at the year-end.

No bids for Peruvian refinery

By Sally Bowen in Lima

In a surprise development, there were no bids at yesterday's auction of the state-owned copper refinery in Peru's southern port of Ilo.

The US-owned Southern Peru Copper Corporation, producer of two-thirds of all Peru's copper, had been widely tipped to become the new proprietor.

The base price had been set at US$75m, with an additional $20m to be invested over the next three years. "Obviously, considerable interest has been shown in the refinery by potential bidders," said Mr Raul Otero, president of the privatisation committee. "It can therefore only be assumed that the base price was fixed too high."

There might be a second auction attempt at a lower base price, Mr Otero said. Alternatively Mineroperu might continue to operate the refinery.

SPCC had been considered the "natural buyer" for Ilo, but Japan's Mitsui (which was associated in the refinery's planning and construction between 1973 and 1975) and Marubeni also of Japan had shown interest. Both Japanese companies yesterday presented sealed envelopes declining to bid.

The Ilo refinery was constructed and has existed for nearly 20 years exclusively to refine blister copper from SPCC under a tolling agreement. The electrolytic plant – which cost US$56m to build – was designed to produce 150,000 tonnes a year of 99.9 per cent pure cathode copper. Later modifications carried out on a shoestring by permanently cash-strapped Mineroperu have since pushed output up by 20 per cent.

It was reasoned that purchasing the refinery would allow SPCC sharply to reduce production costs for its refined copper. Mineroperu charged US$300 a tonne to refine but that could easily be cut by US$50. Additionally, the new proprietor would benefit from the 2m ounces or so of silver produced annually as a by-product, which had previously remained with Mineroperu.

● An official in the privatisation committee for state mining and refining giant Centromin said in Lima yesterday that the base price for the company would be $280m in cash plus at least $60m in debt paper and minimum investment of $240m over three years. The sale is scheduled for late March.

MARKET REPORT

Coffee traders nervous

COFFEE futures closed little changed at the London Commodity Exchange yesterday, the market remaining nervous of news that Brazil had switched responsibility for financing coffee retention to the private sector, though some traders said this should raise prices. The May delivery position ended at $1,161 a tonne, up $3 on the day.

At the London bullion market SILVER's bull run continued, the cash price ending another 9 cents higher at $5.30½ a troy ounce. PLATINUM also added to this week's advance but GOLD was left behind, closing 15 cents down at $384.60 an ounce.

Compiled from Reuter

US cold weather boosts oil market

By Robert Corzine

Oil prices firmed yesterday amid forecasts of continuing cold weather in the north-east US.

The price of the benchmark Brent blend was $14.75 a barrel in late London trading yesterday, 40 cents up on Tuesday's close of $14.35.

The cold weather in the north-east US has put considerable strain on supplies of heating oil. European heating oil prices have also risen as arbitrage opportunities to supply the US market have appeared.

The strong US demand has helped to underpin crude oil prices, which have been lingering around the $14 level for several weeks.

But traders in London said it was too early to say whether the this week's price rises, based on technical factors and the weather, could be sustained.

The Organisation of Petroleum Exporting Countries has based its hopes for an early boost in crude oil prices on increased winter demand in the US, Europe and Japan eroding stockpiles.

Egypt expects to double cotton exports

By Mark Nicholson in Cairo

Egypt's state-owned Cotton Holding Company is expecting exports to double this year – following price cuts and some liberalisation moves in the sector designed to reverse years of falling sales.

Export commitments have already reached 80,600 bales for 1994, compared with total shipments of 54,500 bales last year, according to Mr Samir Anis, the holding company's commercial director. He said Egypt expected to win export commitments for more than 100,000 bales by August, the end of the country's cotton marketing year and start of its harvest.

Mr Anis said export commitments had risen across the board in Egypt's 20 or so main export markets following the government's decision last autumn to cut export prices sharply. Prices of extra-long stable grades of cotton were cut by 15-20 per cent in September in a bid to recapture market share in the face of years of strong competition, particularly from US brands.

Cotton is among Egypt's most important agricultural exports but the days when the country was able to dominate world prices for some grades are long past.

Output, yields and exports have fallen considerably since the early 1970s, largely as a result of low official procurement prices paid to farmers. Total export revenues from cotton fell to $43m in 1992-93 from $52m in 1991-92, according to US embassy figures. Cotton is Egypt's sixth biggest foreign exchange earner, after remittances, tourism, oil, Suez Canal receipts and rice sales.

But exports, which stood at 685,000 bales in the 1981-82 season had dwindled to a low of 48,000 bales by 1990-91 - a disastrous plunge, which the government has in the past two years sought to reverse. A raft of liberalising measures is planned to arrest the decline, and some have been implemented.

Improved pesticide use and other agronomic improvements helped to improve yields by more than a third in 1992 despite a continued fall in the total acreage under cotton across Egypt; and the cotton production area in 1993 was 40 per cent of the total under cultivation in 1961.

Total cotton output this year is expected to reach a level similar to last season's, about 1.08m bales.

Further liberalising moves are planned. The country's parliament is considering a draft law to free prices, increase competition from the private sector in what remains a strongly government-controlled sector and to re-establish Alexandria's cotton exchange.

Ecuador banana exports ride out storm

By Raymond Colitt in Quito

Following months of protests by Latin American banana producers and an official condemnation by the General Agreement of Tariffs and Trade of the European Union's import restrictions on Latin American bananas, Ecuador has announced near record export sales for 1993.

In spite of what Mr Henrique Betancourt, president of the Association of Banana Producing Countries, has called the "the worst crisis in the history of banana production" Ecuador's total sales last year reached 2.618m tonnes, 73,000 tonnes more than in 1992 and the second highest level ever.

That performance came as a surprise as Ecuador, the world's largest banana exporter, had faced not only a sales crisis because of the EC restrictions but also a continued battle against disease.

Ecuador's success was not shared by other Latin American banana producers and it was helped by being able to pick up the export slack left by Central American production losses caused by last year's hurricanes and floods.

Mr Mariano Gonzalez, the agricultural minister, attributed the record exports to the successful trade policies of President Duran Ballen's administration, which wasted no time in gaining access to alternative markets.

Despite its relative success, Ecuador still stands alongside other Latin American banana producers in the battle to persuade the EU to think again about its import restrictions.

German farm incomes down 6% in 1992-93

German farmers called for urgent support after a Bonn ministry report detailed income losses in the former West Germany of more than 6 per cent in 1992-93, reports Reuter from Hamburg.

The ministry said a further decline in 1993-94 could reach between 10 and 15 per cent.

A statement from the DBV farmers' union said its members were not participating in the country's general pay advances. Their average incomes were lagging those in comparable sectors by 35 per cent, and much of their earnings would have to be reinvested to secure the survival of farms.

The union called for the reversal of farm budget cuts in Bonn and the federal states and for a nationwide compensation scheme for currency losses totalling Dm520m (£20m).

The union demanded that existing trade opportunities under the General Agreement on Tariffs and Trade should be fully explored and trade distortions disadvantaging German farmers eliminated.

DBV representatives are to meet Mr Jochen Borchert, the farm minister, on February 8.

Western zinc mine output falls sharply

By Kenneth Gooding, Mining Correspondent

Zinc mining ended in Austria and Italy last year, brought to a halt by low prices caused partly by a surge in imports of refined zinc from China and the Commonwealth of Independent States.

This followed the closure of the last zinc mine in Germany in 1992 and contributed to a 130,000-tonne, or 17 per cent, drop in production from European zinc mines last year to 659,000 tonnes. Output in Spain also fell steeply, by 22 per cent, because of the closure of one mine and drought problems at another.

According to the International Lead and Zinc Study Group, 34 zinc mines closed during 1993, reducing western world nominal capacity by 694,000 tonnes. Bolivia was hit by the closure of four mines and its output dropped by 23 per cent.

The study group estimates that total western world zinc mine production fell by 9.4 per cent to 5.125m tonnes last year. Meanwhile, producers maintained zinc metal production at about the same level as in the previous year: 5.456m tonnes. Producers preferred to maintain high utilisation rates at their plants in order to minimise costs, says the group, "helped, at least in the early part of the year, by the ready availability of concentrate [an intermediate material] at attractive treatment terms".

The good news for producers is that demand for zinc last year is estimated by the group to have surpassed the record set in 1991 and moved up 2 per cent from the 1992 level to 5.46m tonnes.

However, imports from Russia, Kazakhstan and China are believed to have jumped from 308,000 to 415,000 tonnes to contribute to a supply surplus of 430,000 tonnes. The cumulative surplus in the past four years is more than 1m tonnes and stocks at the end of 1993 totalled 1.45m tonnes, 13.8 weeks of consumption.

Zinc prices on the London Metal Exchange, reflecting the growing stockpile, averaged $961 a tonne, 23 per cent lower than in 1992 and 44 per cent below the average in 1989 when prices peaked.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1257.5-8.5	1276-7
Previous	1242-3	1261-2
High/low	1248	1230/1260
AM Official	1248-8.5	1266.5-7
Kerb close		1289-90
Open int.		265,698
Total daily turnover		72,251

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1105-7	1127-30
Previous	1103-5	1125-7
High/low		1133/1123
AM Official	1098-1101	1121-3
Kerb close		1133-5
Open int.		3,036
Total daily turnover		278

■ LEAD ($ per tonne)

	Cash	3 mths
Close	506-7	519-9.5
Previous	508-9	521-1.5
High/low	510	525/519
AM Official	510-0.5	522-2.5
Kerb close		522-3
Open int.		33,651
Total daily turnover		12,797

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5920-30	5985-90
Previous	5810-20	5875-80
High/low	5902	6000/5920
AM Official	5902-5	5965-8
Kerb close		5995-6000
Open int.		51,744
Total daily turnover		14,716

■ TIN ($ per tonne)

	Cash	3 mths
Close	5395-400	5445-50
Previous	5335-45	5385-95
High/low		5490/5375
AM Official	5345-55	5395-405
Kerb close		5475-80
Open int.		18,357
Total daily turnover		6,423

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1007.5-8.5	1028-8.5
Previous	994 5-5.5	1015-6
High/low		1030/1022
AM Official	1003.5-4	1024-5
Kerb close		1030.5-1
Open int.		98,703
Total daily turnover		19,204

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1911 5-2.5	1934.5-5.5
Previous	1864-5	1888-9
High/low		1941/1923
AM Official	1905-6	1929.5-30
Kerb close		1932-4
Open int.		254,372
Total daily turnover		69,295

■ LME AM Official £/$ rate: 1.4961
LME Closing £/$ rate: 1.4956

Spot:1.4955 3 mths:1.4879 6 mths:1.4816 9 mths:1.4777

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Feb	90.20	+0.70	90.90	89.40	882	344
Mar	90.20	+0.70	91.30	88.90	34,538	8,775
Apr	89.00	+0.15	90.10	88.60	722	29
May	88.80	-0.30	89.90	88.10	11,463	3,621
Jun	88.85	-0.25	89.20	88.20	843	33
Jul	88.80	-0.05	89.35	88.10	6,321	172
Total					64,129	13,574

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.40-384.80	
Opening	385.10-385.50	
Morning fix	384.95	257.130
Afternoon fix	384.70	257.462
Day's High	386.20-386.60	
Day's Low	384.20-384.60	
Previous close	384.50-385.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....2.66 6 months 2.74
2 months ....2.68 12 months 2.88
3 months 2.72

Silver Fix	p/troy oz.	US cts equiv.
Spot	352.45	528.00
3 months	356.80	531.80
6 months	361.10	538.10
1 year	369.30	545.75

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	257-260
Maple Leaf	395.05-397.55	-
New Sovereign	90-93	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	384.1	-	386.4	384.0	2,964	1,396
Mar	385.3	+0.4	-	-	12	-
Apr	386.5	+0.4	388.4	385.6	65,343	34,504
Jun	388.5	+0.5	390.3	388.0	28,548	824
Aug	390.5	+0.5	392.0	390.3	5,113	256
Oct	392.6	+0.5	393.9	393.3	3,895	31
Total					134,202	37,313

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	393.7	+1.6	395.9	392.0	14,800	3,508
Jul	394.5	+1.6	396.0	393.3	2,765	126
Oct	395.3	+1.9	394.0	394.0	393	72
Jan	396.3	+1.9	396.0	393.5	172	-
Apr	398.3	+1.9	-	-	4	1
Total					17,934	3,707

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	128.75	+0.70	129.00	127.75	2,953	579
Jun	128.15	+0.70	-	-	1,491	17
Sep	128.05	+0.70	129.00	128.00	142	-
Dec	127.95	+0.70	-	-	117	-
Total					4,703	596

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	533.5	+5.6	-	-	3	-
Mar	534.5	+5.5	539.0	528.0	69,930	29,033
May	538.0	+5.6	543.0	531.0	18,325	3,252
Jul	541.2	+5.7	546.0	535.0	9,413	479
Sep	544.5	+5.7	548.0	542.0	2,667	93
Dec	549.6	+5.7	552.0	544.0	7,630	157
Total					114,276	33,068

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	16.01	+0.09	16.10	15.77	113,597	60,709
Apr	15.98	+0.11	16.02	15.70	61,989	32,843
May	16.00	+0.12	16.02	15.79	31,656	11,298
Jun	16.07	+0.10	16.13	15.90	31,033	9,972
Jul	16.21	+0.12	16.25	16.00	21,874	4,809
Aug	16.25	+0.11	16.32	16.22	13,780	1,189
Total					444,864	129,244

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	14.69	-0.03	14.83	14.63	51,944	37,968
Apr	14.50	-0.02	14.65	14.44	53,150	22,368
May	14.63	+0.09	14.63	14.47	14,940	4,684
Jun	14.66	+0.06	14.76	14.63	8,803	3,745
Jul	14.87	+0.17	14.90	14.71	7,815	1,175
Aug	15.00	+0.16	15.02	14.83	3,898	1,049
Total					146,071	74,872

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	53.30	+1.47	53.70	51.90	1,230	853
Apr	48.65	+0.49	49.00	48.00	53,398	24,313
May	46.60	+0.24	46.80	46.25	36,758	9,712
Jun	46.20	+0.29	46.30	45.85	32,702	5,898
Jul	46.60	+0.44	46.70	46.20	20,502	3,879
Aug	47.30	+0.39	47.30	47.20	15,486	909
Total					186,535	45,919

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	149.25	+4.75	149.75	146.50	24,760	7,522
Mar	150.00	+4.50	150.50	147.25	26,122	8,823
Apr	148.25	+3.50	149.00	146.50	13,818	4,120
May	147.00	+3.25	147.00	145.25	10,792	1,737
Jun	147.00	+3.00	147.00	145.00	14,494	387
Jul	148.50	+3.25	148.25	146.00	8,085	421
Total					115,360	22,724

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	2.570	-0.069	2.690	2.561	24,941	10,154
Apr	2.358	-0.033	2.440	2.350	18,906	4,105
May	2.235	-0.023	2.300	2.235	12,527	3,377
Jun	2.165	-0.020	2.210	2.165	7,800	2,432
Jul	2.120	-0.020	2.180	2.120	8,639	1,731
Aug	2.120	-0.020	2.160	2.115	7,544	1,021
Total					131,954	27,283

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	46.00	+0.45	46.50	45.10	879	702
Apr	48.15	+0.31	48.40	47.55	37,468	18,588
May	48.75	+0.24	48.85	48.25	30,571	6,751
Jun	48.95	-	49.20	48.50	32,642	1,024
Jul	49.05	-	49.15	48.60	12,016	1,406
Aug	48.90	+0.05	48.95	48.90	2,822	284
Total					120,490	28,734

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	98.45	+0.70	98.50	97.90	1,384	124
May	99.40	+0.60	99.40	98.70	1,792	326
Jun	99.75	-0.10	99.75	99.40	220	21
Sep	89.75	+0.25	89.75	89.50	162	14
Nov	90.85	+0.15	90.85	90.85	746	1
Jan	92.85	-0.20	-	-	-	-
Total					4,506	486

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	374/6	+4/4	375/4	368/2	98,975	20,420
May	356/6	+2/4	357/0	351/0	42,846	5,215
Jul	346/4	+3/2	347/0	340/0	78,560	14,970
Sep	347/4	+3/2	347/4	341/2	12,215	2,850
Dec	355/6	+3/6	356/4	349/0	15,230	1,015
Jul	336/0	+10/4	-	-	25	20
Total					246,850	44,470

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	292/2	+1/6	292/4	287/6	484,670	103,855
May	297/4	+1/6	297/6	293/0	469,460	43,760
Jul	298/0	+1/2	298/4	293/6	406,095	38,265
Sep	280/4	+1/0	280/6	278/6	85,435	3,720
Dec	264/2	+1/0	264/4	262/0	220,285	18,340
Mar	270/2	+0/6	270/4	268/4	13,815	380
Total					1,674M	208,470

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	101.10	-0.05	101.15	101.00	661	39
May	102.35	-0.65	103.00	102.50	198	7
Sep	92.40	-	-	-	102	-
Nov	94.40	-	-	-	63	-
Jan	96.40	-	-	-	3	-
May	97.50	-	-	-	-	-
Total					1,027	46

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	683/4	-3/4	684/6	675/0	317,620	94,835
May	688/6	-2/2	689/4	679/6	203,545	27,375
Jul	689/2	-2/2	690/0	680/4	169,660	22,610
Aug	679/6	-3/0	680/0	672/0	32,430	1,090
Sep	655/4	-4/4	660/0	662/0	19,560	1,396
Nov	639/2	-3/4	642/4	636/0	86,610	11,380
Total					842,830	166,566

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	28.98	+0.01	29.02	28.51	32,348	8,542
May	28.91	+0.04	28.92	28.40	23,333	4,153
Jul	28.59	+0.01	28.60	28.11	17,249	2,518
Aug	28.03	-	28.05	27.66	5,357	334
Sep	27.48	-0.03	27.50	27.15	5,205	533
Oct	26.51	-0.16	26.55	26.30	3,610	359
Total					94,212	15,426

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	194.1	-0.6	194.5	192.2	35,472	6,502
May	194.4	-0.7	194.8	192.6	18,740	3,113
Jul	194.4	-0.9	195.0	193.0	17,247	1,290
Aug	192.3	-1.0	193.3	191.5	6,778	156
Sep	190.5	-0.6	191.0	189.3	3,662	88
Oct	188.0	-0.8	188.0	187.1	2,015	86
Total					90,018	11,796

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	165.0	+30.0	-	-	34	-
Apr	108.3	-1.1	107.0	106.0	1,765	74
May	125.4	-1.9	126.5	125.0	767	62
Jun	130.0	-	-	-	2	-
Nov	85.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,570	136

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	1189	-20	1175	1165	193	23
Mar	1185	-15	1200	1185	301	78
Apr	1220	-17	1230	1220	1,133	41
Jul	1090	-17	1102	1090	207	27
Oct	1250	-9	1250	1250	230	5
Jan	1290	-10	-	-	74	-
Total					2,143	174

	Close	Prev
BFI	1193	1196

Cotton

Spot and shipment sales in Liverpool amounted to 300 tonnes for the week ended January 28, against 158 tonnes in the previous week. Improved demand brought moderate purchases mainly in central Asian and Israeli descriptions. American and Turkish growths made some headway.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	854	-3	864	847	31,985	1,430
May	863	+3	874	853	16,402	2,019
Jul	875	+1	885	866	10,452	1,428
Sep	893	-1	904	890	10,893	422
Dec	913	-2	919	911	14,210	489
Mar	927	-2	934	927	25,936	289
Total					128,680	6,133

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1051	-4	1062	1047	23,419	9,253
May	1086	-4	1098	1083	22,364	8,306
Jul	1112	-8	1128	1110	11,981	1,218
Sep	1144	-6	1153	1137	7,456	725
Dec	1172	-7	1185	1172	8,755	313
Mar	1203	-7	1214	1205	7,777	367
Total					88,456	20,203

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Feb 1		
Daily	857.91	900.99
Feb 2		
10 day average	907.12	915.18

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1151	+1	1159	1145	12,879	1,620
May	1161	+3	1169	1150	13,419	1,176
Jul	1151	+4	1163	1148	4,858	1,033
Sep	1160	+3	1157	1147	2,339	105
Nov	1148	-	-	-	1,780	-
Jan	1148	-	1152	1152	3,273	1
Total					38,548	3,935

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	72.95	+0.55	73.15	72.15	28,136	5,938
May	74.55	+0.55	74.70	73.90	15,090	2,131
Jul	76.00	+0.50	76.20	75.50	4,676	436
Sep	77.50	+0.60	77.60	76.95	3,190	142
Dec	79.15	+0.65	79.25	78.70	1,958	61
Mar	80.40	+0.20	80.40	80.40	826	10
Total					53,905	8,718

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Feb. 1		
Comp. daily	69.29	69.81
15 day average	69.46	69.41

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.67	+0.01	10.66	10.68	1,241	50
May	11.17	-0.02			919	-
Jul	11.45	+0.01			2,912	-
Oct	11.10	-0.06	11.10	11.10	35	5
Total					5,107	55

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	298.50	+1.30	298.70	296.40	6,278	3,089
May	295.30	+1.50	295.50	293.50	4,687	428
Aug	297.60	+0.30	298.00	298.50	1,782	225
Oct	284.30	+0.50	284.50	283.50	2,807	313
Dec	282.60	+0.50	-	-	67	-
Mar	283.30	+0.60	284.00	284.00	44	3
Total					15,663	4,061

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.46	+0.07	10.51	10.40	38,544	11,921
May	10.88	+0.06	10.90	10.82	33,853	6,076
Jul	10.95	+0.06	10.96	10.89	16,163	1,352
Oct	10.83	+0.05	10.86	10.76	16,582	576
Mar	10.84	+0.05	10.86	10.82	3,344	-
May	10.84	+0.05	-	-	311	5
Total					109,271	19,929

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	75.65	-1.69	77.75	75.40	20,990	5,006
May	73.38	-1.54	77.30	75.25	18,004	4,533
Jul	75.57	-1.28	77.30	75.40	9,124	1,852
Oct	70.70	-0.50	71.50	70.60	2,031	209
Dec	68.80	-0.30	69.25	68.65	8,934	1,062
Mar	69.65	-0.01	69.75	69.50	152	-
Total					59,302	12,667

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.65	+1.90	106.50	104.25	10,968	499
May	108.25	+1.55	109.25	107.00	3,364	362
Jul	110.45	+1.10	111.50	109.90	1,372	67
Sep	112.45	+1.05	-	-	819	5
Nov	114.45	+1.05	-	-	397	1
Jan	116.00	+1.00	115.90	115.90	440	2
Total					17,382	936

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 2	Feb 1	month ago	year ago
1742.7	1795.7	1863.6	1744.0

■ CRB Futures (Base: 4/9/56=100)

Feb 1	Jan 31	month ago	year ago
226.99	225.65	226.74	199.98

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	72.425	+0.150	72.475	72.200	20,272	6,506
Apr	75.225	-	75.500	75.125	31,542	10,198
Jun	73.925	+0.125	74.050	73.800	19,506	3,041
Aug	72.750	+0.125	72.950	72.625	11,275	1,517
Oct	72.625	+0.075	72.750	72.500	7,334	737
Dec	73.425	+0.100	73.475	73.250	1,697	58
Total					92,203	22,060

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	50.300	-0.100	50.700	49.925	4,345	1,677
Apr	51.650	+0.450	51.850	50.800	13,374	4,023
Jun	55.850	+0.300	56.000	55.350	7,793	1,214
Jul	55.150	+0.350	55.375	54.550	2,761	307
Aug	53.050	+0.375	53.250	52.500	2,322	244
Oct	49.150	+0.150	49.200	48.750	1,439	60
Total					33,361	7,600

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	60.550	+1.950	60.600	58.300	2,022	1,363
Mar	60.525	+2.000	60.525	58.400	2,910	2,373
May	61.575	+2.000	61.575	59.500	4,095	1,611
Jul	61.675	+2.000	61.675	59.850	2,103	409
Aug	59.250	+2.000	59.250	57.250	441	55
Total					11,571	5,831

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1200	91	115	15	25
1225	85	107	23	30
1250	69	91	31	40
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	101	130	22	35
1900	69	100	40	54
1950	45	74	64	77
■ COFFEE LCE	Mar	May	Mar	May
1100	55	90	4	29
1150	20	61	19	50
1200	7	40	56	79
■ COCOA LCE	Mar	May	Mar	May
875	12	39	33	51
900	6	30	52	67
925	2	23	73	85
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1400	-	90	9	31
1450	41	56	18	50
1500	21	36	48	79

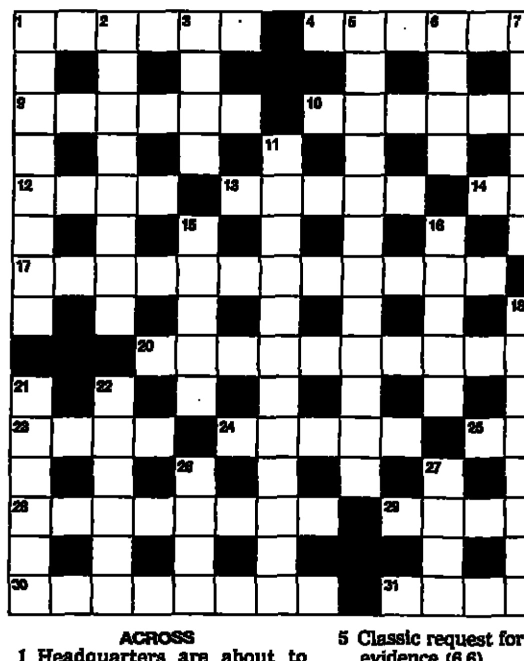
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)		+or-
Dubai	$13.30-3.42	+0.06
Brent Blend (dated)	$15.31-5.36	+0.34
Brent Blend (Mar)	$14.68-4.70	+.335
W.T.I. (1pm est)	$15.85-5.88w	+.345
■ OIL PRODUCTS NWEprompt delivery CIF (tonne)		
Premium Gasoline	$150-151	+1
Gas Oil	$150-152	+4.5
Heavy Fuel Oil	$73-74	+3
Naphtha	$134-138	+3.5
Jet Fuel	$163-167	+4.5
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$384.60	-0.15
Silver (per troy oz)♣	530.5c	+8.0
Platinum (per troy oz.)	$391.50	+4.50
Palladium (per troy oz.)	$126.75	+1.65
Copper (US prod.)	93.0c	+2.0
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.51r	+0.52
Tin (New York)	251.50c	+8.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	121.47p	+0.73*
Sheep (live weight)†♣	107.85p	+6.13*
Pigs (live weight)	65.96p	-0.62*
Lon. day sugar (raw)	$257.80	-2.90
Lon. day sugar (wte)	$298.00	-1.50
Tate & Lyle export	$293.00	-1.50
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£126.0	
Wheat (US Dark North)	£143.5	
Rubber (Mar)♥	62.50p	
Rubber (Apr)♥	62.75p	
Rubber(KL RSS No1 Feb)	226.0m	-1.0
Coconut Oil (Phil)§	$575.0x	
Palm Oil (Malay.)§	$392.5t	-5.00
Copra (Phil)§	$374.0	+4.0
Soyabeans (US)	£204.0y	
Cotton 'A' Index	78.65c	-0.20
Wooltops (64s Super)	370p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Mar. z Jan/Mar. t Feb/Mar. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,370 Set by ADAMANT



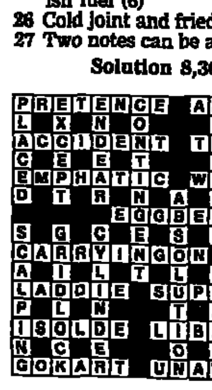
ACROSS

1 Headquarters are about to question the Spanish separatist (6)
4 It gets depressed at the need for capital (5,3)
9 Pale faced, though the creature is eating everything (6)
10 Boil over with top form showing lack of awareness (8)
12 Incline to be unproductive (4)
13 A lot of noise around the state council (5)
14 Does it play its cards to instil love in the girl? (4)
17 The queen played her part after election results and provided the balance (12)
20 Having the same ratio in favour of drink on the island by lake (12)
23 Continues to hold back part one (4)
24 Start university in the red (5)
25 Poor 18 loses rank as a strike-breaker (4)
28 If chemistry test is missing, it could make trouble (8)
29 Graduate doctor on his rounds gets stick (6)
30 Someone who knows without saying (8)
31 Mysterious group surround the soldiers (6)

DOWN

1 Fawlty in charge of a church building (8)
2 With the dance over, buys up container of creamy dessert (8)
3 Diplomats take us round the flying saucers (4)
5 Classic request for the body of evidence (6,6)
6 Just roundabout here (4)
7 Have a good think about it, sir! (6)
8 Pulled out the key and turned it (6)
11 Give false impression of fog surrounding English navy involved in drunken spree (12)
15 Way the paintings will come to life (5)
16 The first archway, for example, is providing protection (5)
18 Dismiss about ninety initially and close the cafeteria (5-3)
19 Poor standpoint for bloc of Trade Union organisation (4-4)
21 Top meeting (6)
22 Fails to ignite with the Spanish fuel (6)
26 Cold joint and fried potato (4)
27 Two notes can be a lot (4)

Solution 8,369



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Derivatives lift FT-SE indices to new peaks

By Steve Thompson

All the UK market's leading stock indices powered ahead to record highs yesterday as a sudden burst of big buying interest in the FT-SE 100 March future, plus a persistent story that a cut in UK interest rates may be imminent, caught marketmakers short of stock.

The suddenness and weight of buying interest in the Footsie future caught dealers on the hop and transformed the market, with the leaders, Mid 250 stocks and the smaller companies' shares all rallying strongly from an initial bout of weakness and gathering pace throughout a dramatic session.

The FT-SE 100 Index ended a net 38.8 up at an historic closing high of 3,520.3, having peaked at 3,520.4 only minutes before the close of trading. The FT-SE Mid 250 Index, which has regularly outperformed its senior index, finished 45.5 up at a peak 4,150.9.

Dealers lowered share prices at the outset of trading, with the FT-SE 100 around 10 points easier following the modest falls on Wall Street and Tokyo overnight. The market was widely regarded by dealers as being overblown and most marketmakers were said to have been short of stock overnight. Little in the way of selling pressure was noted for much of the morning, but dealers remained happy to absorb any stock that came on offer. The FT-SE 100 at the day's low was down 13.7 at 3,467.8.

The sudden appearance of a buyer of around 2,000 FT-SE 100 contracts, said to have been Goldman Sachs, the US investment bank, was the catalyst for a searing upsurge in the futures and the cash market. By the time Goldman's business was completed, the future had risen some 20 points, driving the cash market sharply better. The purchase of 2,000 FT-SE 100 contracts was estimated to have pumped some £175m into the market.

The cash market's response was immediate. The 100 index accelerated all day and peaked just two minutes before the close. Second line stocks were also chased sharply higher, with dealers aware that tomorrow sees the start of trading in FT-SE Mid 250 derivatives, both futures and options, on the OMLX Exchange in London. The Liffe market's Mid 250 Index futures contract is being launched on February 25.

The head of trading at one of the leading UK integrated houses said: "There was no obvious catalyst for the market; no lead from gilts or economic data. It was purely futures-led and hit a market expected to go lower." He added that institutions still underweight in equities had tried to buy the cash market but were unable to do so at realistic prices. Consequently they were pressured into buying the future, which in turn dragged up the cash market. "We are climbing a wall of fear," commented one marketmaker.

The rate cut story impacted strongly on utilities, and particularly on the electricity stocks, which offer above average yields.

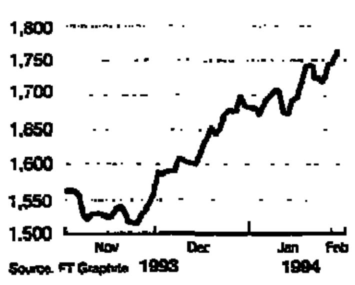
Turnover in equities reached 1.0846bn shares, with non-Footsie stocks accounting for 68 per cent of the total. The value of customer business transacted on Tuesday was £2.165bn. Bank shares saw the two Far Eastern-influenced stocks, Standard Chartered and HSBC Holdings, stage another big leap forward, the latter boosted by the covered warrant issued by BZW and the former reflecting talk of imminent and substantial upgrades. Lehman Brothers, the US investment bank, was said to have upgraded Abbey National, National Westminster Bank and Barclays.

Account Dealing Dates

*First Dealings:		
Jan 17	Jan 31	Feb 14
Option Declarations:		
Jan 27	Feb 10	Feb 24
Last Dealings:		
Jan 28	Feb 11	Feb 25
Account Day:		
Feb 7	Feb 21	Mar 7

*New time dealings may take place from two business days earlier.

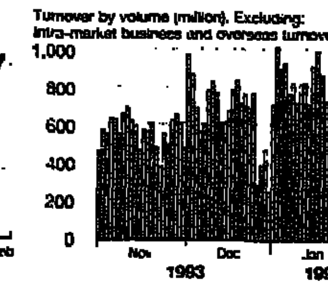
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3520.3	+38.8
FT-SE Mid 250	4150.9	+45.5
FT-SE-A 350	1778.3	+19.6
FT-SE-A All-Share	1764.11	+18.86
FT-SE-A All-Share yield	3.21	(3.24)
FT Ordinary index	2713.6	+36.7
FT-SE-A Non Fins p/e	22.99	(22.81)
FT-SE 100 Fut Mar	3530.00	+49.0
10 yr Gilt yield	6.47	(6.26)
Long gilt/equity yld ratio:	2.11	(2.08)

Best performing sectors

1	Electricity	+2.0
2	Engineering, Vehicles	+1.9
3	Oil Exploration & Prod	+1.8
4	Household Goods	+1.8
5	Banks	+1.7

Worst performing sectors

1	Tobacco	-1.6
2	Other Financial	+0.1
3	Other Services & Bsns	+0.1
4	Life Assurance	+0.2
5	Gas Distribution	+0.3

Utilities surge on buy order

Electricity and water shares surged ahead yesterday on reports of a big buy order from one of the UK's leading investment institutions and optimism over interest rate cuts.

While the initial spurt came from hopes of an interest rate reduction in the near term, support was fuelled by talk that Kleinwort Benson Investment Management was a large buyer of the sector on the back of receipts – said to be in the region of £200m – from its European privatisation trust fund. Dealers said they believed Kleinwort was buying UK utilities as a holding investment ahead of the upcoming privatisation issues.

Sentiment was also boosted by the second share buy-back in as many months by Eastern Electricity. The Rec bought a further 500,000 shares at 699p after the market closed on Tuesday, adding to the 1.2m bought at 644p two weeks ago. Eastern has shareholders approval to buy back a further 11.8m shares. Yesterday, the stock surged 21 to a record 722p. Elsewhere, Norweb hit a record, 800p, up 24, and Northern reached an all-time high of 781p, a jump of 22. Among the waters, Anglian gained 11 to 579p, Yorkshire 12 to 606p and Severn 13 to 632p.

Reuters retreats

News and electronic information group Reuters Holdings was pulled back sharply in early trading as word swept the market that US investment bank Goldman Sachs had turned bearish on the stock.

Goldmans has been a leading supporter of the shares and any change of stance would have been a serious blow to sentiment. However, analyst Mr Eric Philo said he had merely taken the stock off Goldman's "priority list" which contains its 30 most highly recommended companies in the UK and mainland Europe. He said he remained a buyer and predicted a share price in the UK of around 2150p within the next 12 months. The shares tumbled nearly 50p initially but clawed their way back to close only 8 lower on the day at 1967p, on unusually heavy turnover of 3.1m shares.

Speculation of an imminent share split at Thorn EMI was heard as the shares gathered steam to hit a record 1128p, a rise of 28. There were also renewed bid rumours as analysts pondered the fallout from the $10bn takeover battle for Paramount Communications in the US between Viacom and QVC Network. While the battle has reignited the debate over the market value of groups falling in the multi-media fold, such as Thorn, it has also raised the suggested that the losing bidder may turn its attention to the UK group.

Tobacco and insurance conglomerate BAT Industries shed 10 to 519p as securities house UBS cut its forecasts and lowered its stance. The house turned seller and slashed its 1994 profit estimate by £130m to £1.83bn on concerns over the growth potential for BAT's US insurance arm, Farmers. Analyst Mr Chris Hitchings added that he, "retained a cautious view of the US tobacco side." The shares fell 8 to 521p.

Hong Kong related banks HSBC and Standard Chartered continued to power ahead on the back of a strong Hong Kong market, and anticipation of encouraging interim figures from the banking sector. Buyers of HSBC were further encouraged by a recommendation from Peregrine, the leading Hong Kong stockbroker, which put a target price of $150 on the bank's shares, equivalent to a further 200p on the UK price. The ordinaries rose 26 to 1040p while Standard Chartered gained 48 to 1410p.

The support services sector was enlivened by the issue of a call warrant by SG Warburg on five of the stocks in the sector. Each of the 20m warrants is issued at 135p, with a basket of 10 priced at 1350p. The warrants expire in August 1995 and the exercise price is £107.50p. Three of the stocks performed strongly, with Hays jumping 10½ to 331½p, while Rentokil added 11 to 279p and Chubb finished 15 ahead at 421p. BET crept 3 ahead to 154½p, while Christian Salvesen, which issued a profits warning on Monday, bounced 4½ to 312p.

Lasmo rose 5 to 133p on news that the company had appointed a new finance director. The shares were also helped by news of an oil discovery in Algeria, and a rise in the price of Brent crude.

Biotechnology research group Celltech improved 9 to 228p on news of a breakthrough against rheumatoid arthritis. The company is developing a product which competes with the US treatment highlighted yesterday. However, UBS remains a seller arguing that significant gains are unlikely before the turn of the century.

Chemicals group Courtaulds lifted 13 to 538p with the help of a buy note from Shaw, the medium-sized agency broker.

Speculation that international investor George Soros might be poised to invest in Medeva raised some eyebrows but the shares which plunged from a high of 220p in the summer gained 8 to 180p.

Further losses at Euro Disney were no worse than the market feared and the shares put on 5 to 410p.

Cadbury Schweppes was one of the few shades of red among food manufacturers as investors and dealers continued to fret over the possibility of the company making a rights issue with its results next month.

Among stores, GUS had another strong session, gaining 16 to 640p as speculation over possibility of the group's porperty arm being floated continued. The company, which has denied the story, said the full-year rental income for the division was in excess of £50m.

Wire and engineering group Bridon recovered from a sharp decline early in the session to close 4 up at 160p. The shares initially fell 25 to 131p, after the group issued a profits warning, and said it would be making exceptional provisions of between £20-£25m to cover restructuring.

The market continued to appreciate this week's sale of Rover by British Aerospace to BMW and the shares gained another 28 to 573p. Component suppliers were also boosted by the same deal and BBA moved 9½ ahead to 223p, while GKN put on 10 to 614p. Lucas Industries closed 9 ahead at 232p.

Consumer leisure products and packaging firm Porter Chadburn shed a penny to 21p, after a profits warning.

Lonrho gained 8½ to 169½p, as investors anticipated a successful flotation for Ashanti Goldfields of Ghana in which it has a 45 per cent stake.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (441).

BANKS (7) BREWERIES (3) Regent Inns, Vaux, Wetherspoon (JD), BUILDING & CNSTRN (11) AMEC, Do 8½p Pf., Allen, Avonside, Bellway, Campbell & Armstrong, Cussins, Jackson, Laing (J) 6.4pc Pf., Spanden, Tilbury Douglas, BLDG MATLS & MCHTS (13) CHEMICALS (9) Akzo, Allied Colloids, Canning (W), Cementone, Do Wrts., ICI, Kalon, Perstorp B, Yule Catto, DISTRIBUTORS (12) DIVERSIFIED INDLS (12) ELECTRICITY (12) East Midlands, Eastern, London, Manweb, Midlands, Northern, Norweb, Seeboard, South Wales, South Western, Southern, Yorkshire, ELECTRNC & ELECT EQUP (11) ENGINEERING (31) ENG. VEHICLES (9) Avon Rubber, BBA, Do 6¼pc Pf., BSG, Fast Technology, GKN, Lucas, Do Wrts., Trinity, EXTRACTIVE INDS (11) FOOD MANUF (4) Banks (SC), Global, IAWS A, Matthews (B), HEALTH CARE (6) Amersham Intl., Assoc. Nursing Servs., Community Hsptls., Ferraris, Isotron, UniChem, HOUSEHOLD GOODS (2) INSURANCE (4) FAI, Lowndes Lambert, Nelson Hurst, Royal Ins., INVESTMENT TRUSTS (132) INVESTMENT COMPANIES (10) LEISURE & HOTELS (11) Bluebird Toys, Boosey & Hawkes, Castle Comms., Compass, Hornby, Hozelock, Manchester Utd., Parkdean, Ramsden's (H), Ryan, Thorn EMI, LIFE ASSURANCE (2) Britannic, Liberty Life Assoc. Africa, MEDIA (23) MERCHANT BANKS (6) Hambros, Do 7½pc Pf., Joseph (L), Kleinwort Benson, Singer & Friedlander, Wintrust, OIL EXPLORATION & PROD (3) Monument Oil, Tuskar Res., Viking, OIL, INTEGRATED (3) Norsk Hydro, Total B, Woodside, OTHER FINANCIAL (15) OTHER SERVS & BUSNS (4) Anglo-East Plants., Filofax, Plantsbrook, Scapa, PRTNG, PAPER & PACKG (10) PROPERTY (18) RETAILERS, FOOD (1) Park, RETAILERS, GENERAL (10) Beattie (J) A, Brown (N), Christies Intl., Egoli Consld., Flying Flowers, Mallett, Partridge Fine Arts, Reject Shop, Signet 8½p Pf., World of Leather, SUPPORT SERVS (9) Chubb, Corporate Servs., DCS, Hays, ISS–Intl Serv. Sys B, Johnson Cleaners, Macro 4, Page (M), Rentokil, TELECOMMUNICATIONS (3) Securicor Gp 'A' N –V, Do N/V, Security Servs., TEXTILES & APPAREL (5) Abbeycrest, Allied Textile, Dewhirst, Lamont, Readicut, TRANSPORT (6) WATER (2) Bristol Water, East Surrey, AMERICANS (4) CANADIANS (1) SOUTH AFRICANS (2).

LOWS (3).

GILTS (2) ENGINEERING (1) Ferrum, OTHER SERVS & BUSNS (1) Photo-Me.

EQUITY FUTURES AND OPTIONS TRADING

Strong buying from a leading US investment house, together with renewed hopes of a reduction in interest rates, brought a squeeze in Footsie futures, sending the near month contract breaking through the 3,500 resistance level to finish at an all-time high, writes Joel Kibazo.

A faltering start for the March contract on the FT-SE 100 at 3,476 hinted at a quiet session ahead. However, demand by independent traders and the return of optimism on interest rates ahead of today's Bundesbank Council meeting, brought a turnround in the fortunes of the contract.

The buying of 2,000 lots, reported to have been done by Goldman Sachs, added impetus to the rise, pulling the cash market higher.

March maintained a strong premium for most of the session, but dealers said that with a shortage of stock in the equities there were few arbitrage opportunities.

The March contract ended at a record 3,530, up 49 from its previous close and 13 points above its estimated fair value to cash which now stands at nil. Volume was heavy, reaching 22,214 lots by the official close.

Traded options also saw hefty turnover, with 54,902 contracts dealt by the close, of which 18,176 were traded in the FT-SE 100 option and 8,465 in the Euro FT-SE option.

Glaxo was the busiest stock option with a total of 4,996 lots transacted and was followed by Argyll group at 3,163 contracts.

A report from the Liffe showed turnover in futures and options in January 1994 having increased by 93 per cent from a year ago.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3476.0	3530.0	+49.0	3538.0	3466.0	23138	65261
Jun	3524.0	3544.5	+49.0	3534.0	3524.0	20	8943
Sep	3550.0	3563.0	+49.0	3550.0	3550.0	10	350

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3517) £10 per full index point

	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P
Feb	238½	2½	187½	3½	139½	7	98	14	61	29	34	53½	17	87½	7½	132½
Mar	241	12	197	18½	155	26	119½	41½	88½	59	61	82½	40½	112½	26	148½
Apr	252½	23½	211	31½	174	44½	138½	58	109	78	82	101½	62	130½	43½	163½
May	269½	34	231	46½	194	59	160½	75	132	95	105	119½	83½	148½	63½	179½
Jun†	284	44½			209½	69			147½	106½			99½	157½		

Calls 10,493 Puts 8,687

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P
Feb	259½	1½	211	3	163½	6	118	10½	77	22	46½	39½	25	68½	11	105
Mar	262	9	217½	13½	175½	21	138½	32	102½	47½	73½	68	50	94½	32½	126½
Apr			231	25½			156	49½			95½	116			53	144½
Jun			264½	49			194½	77			135½	118			89½	189
Sept†			303	72½			237	103½			179½	142½			132½	192

Calls 5,203 Puts 3,257 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Feb 2	Day's chge%	Feb 1	Jan 31	Jan 28	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3520.3	+1.1	3481.5	3491.8	3447.4	2873.8	3.35	5.00	24.85	2.59	1290.42
FT-SE Mid 250	4150.9	+1.1	4105.4	4084.3	4065.8	3023.6	2.94	4.62	26.60	8.67	1508.80
FT-SE Mid 250 ex Inv Trusts	4156.8	+1.1	4110.3	4087.6	4075.4	3037.9	3.08	4.95	25.05	8.68	1508.06
FT-SE-A 350	1778.3	+1.1	1758.7	1760.6	1741.8	1415.2	3.25	4.91	25.24	1.87	1335.50
FT-SE SmallCap	2082.14	+0.6	2069.03	2050.49	2032.59	1506.88	2.62	3.33	38.47	2.70	1581.24
FT-SE SmallCap ex Inv Trusts	2045.57	+0.6	2032.80	2012.58	1997.78	1514.43	2.77	3.68	35.58	2.91	1556.36
FT-SE-A ALL-SHARE	1764.11	+1.1	1745.25	1745.95	1727.31	1396.35	3.21	4.80	25.85	1.88	1348.34

■ FT-SE Actuaries All-Share

	Feb 2	Day's chge%	Feb 1	Jan 31	Jan 28	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2679.02	+1.1	2649.37	2670.71	2615.27	2062.60	3.29	4.75	26.03	0.00	1045.03
12 Extractive Industries(4)	4107.55	+1.3	4053.61	4091.34	3984.03	3167.60	3.04	4.48	26.56	0.00	1105.37
15 Oil, Integrated(3)	2584.78	+1.0	2559.19	2581.33	2529.62	1938.80	3.38	4.94	25.23	0.00	1027.78
16 Oil Exploration & Prod(11)	1994.50	+1.8	1959.13	1957.10	1928.45	1927.00	2.99	3.60	35.68	0.00	1130.97
20 GEN MANUFACTURERS(284)	2232.66	+1.0	2210.71	2194.68	2169.58	1715.80	3.30	3.05	44.95	1.71	1105.54
21 Building & Construction(31)	1526.99	+1.7	1501.60	1480.69	1475.21	892.00	2.32	1.17	80.00†	0.48	1168.25
22 Building Matls & Merchs(30)	2373.38	+0.5	2362.63	2352.33	2350.12	1490.60	2.96	2.43	56.82	1.14	1067.46
23 Chemicals(20)	2512.33	+1.6	2472.79	2463.24	2434.65	2072.70	3.67	0.34	‡	0.39	1079.46
24 Diversified Industrials(16)	2231.57	+0.8	2214.26	2194.43	2144.79	1888.40	3.98	4.07	31.60	3.21	1103.74
25 Electronic & Elect Equip(34)	2241.87	+0.5	2229.64	2221.18	2196.61	1844.80	3.29	5.42	22.47	1.10	1065.24
26 Engineering(72)	2011.17	+1.5	1980.68	1964.05	1935.35	1442.40	2.69	1.95	80.00†	2.22	1123.61
27 Engineering, Vehicles(12)	2516.71	+1.9	2470.90	2403.82	2398.06	1875.70	4.12	3.06	45.77	0.08	1182.96
28 Printing, Paper & Pckg(27)	2940.24	+0.4	2927.12	2926.87	2934.06	2321.70	2.75	4.27	28.25	1.44	1129.58
29 Textiles & Apparel(22)	2016.13	+1.0	1995.85	1985.04	1963.06	1906.60	3.24	4.92	25.50	0.14	1110.12
30 CONSUMER GOODS(93)	3037.87	+0.9	3010.69	3032.35	3015.10	2899.30	3.67	6.46	18.24	5.62	1012.25
31 Breweries(17)	2391.04	+0.5	2379.78	2388.15	2387.39	2145.40	3.81	7.18	17.12	9.84	1047.89
32 Spirits, Wines & Ciders(10)	3215.56	+1.4	3171.19	3201.52	3152.78	2870.30	3.29	5.98	19.68	19.74	1053.58
33 Food Manufacturers(23)	2568.86	+0.9	2546.71	2544.74	2533.10	2371.20	3.55	6.57	18.05	2.80	1045.81
34 Household Goods(12)	2872.12	+1.8	2822.52	2839.97	2811.54	2414.90	2.98	6.39	18.13	0.00	1003.03
36 Health Care(20)	1904.69	+1.0	1886.54	1894.78	1895.75	1844.90	2.82	5.04	23.68	0.82	1078.84
37 Pharmaceuticals(10)	3193.53	+1.6	3144.14	3174.53	3181.69	3318.30	3.77	6.96	18.33	0.00	978.85
38 Tobacco(1)	4366.52	-1.6	4437.83	4500.75	4412.66	4093.10	4.61	7.29	15.99	0.00	940.38
40 SERVICES(221)	2183.70	+1.0	2161.60	2160.90	2139.16	1814.30	2.71	5.19	23.45	2.51	1048.25
41 Distributors(31)	3319.33	+0.8	3293.71	3261.38	3232.50	2491.20	2.53	4.70	25.77	1.24	1121.83
42 Leisure & Hotels(22)	2349.83	+0.9	2327.80	2340.32	2313.67	1765.80	3.46	5.16	23.92	9.05	1136.92
43 Media(40)	3298.42	+0.8	3273.04	3272.69	3231.37	2246.10	1.84	3.91	30.56	1.60	1122.50
44 Retailers, Food(17)	1666.61	+0.7	1655.18	1644.56	1654.25	2192.30	3.68	9.59	12.94	1.82	967.74
45 Retailers, General(43)	1846.97	+0.9	1831.36	1824.86	1795.95	1474.90	2.58	5.02	24.99	1.75	964.58
48 Support Services(40)	1866.43	+2.4	1822.39	1827.36	1828.23	1543.10	2.10	6.11	18.71	0.83	1112.89
49 Transport(16)	2797.79	+1.6	2754.17	2779.26	2738.01	2068.50	2.99	3.25	34.79	2.48	1072.68
51 Other Services & Business(12)	1343.08	+0.1	1341.40	1339.83	1335.16	1374.30	3.54	3.21	44.40	0.60	1130.13
60 UTILITIES(36)	2762.33	+1.4	2724.57	2732.26	2709.92	2019.90	3.60	7.71	15.65	5.18	1032.90
62 Electricity(17)	2619.12	+2.0	2567.78	2578.63	2577.27	1529.70	3.18	9.45	13.00	14.65	1057.17
64 Gas Distribution(2)	2359.28	+0.3	2352.86	2357.39	2344.35	1895.20	4.97	7.20	17.35	0.00	1042.39
66 Telecommunications(4)	2450.42	+1.3	2419.37	2422.98	2389.46	1949.40	3.22	5.77	21.22	0.00	1019.10
68 Water(13)	2109.36	+1.6	2076.72	2087.48	2066.97	1529.90	4.38	10.74	10.28	3.48	1014.89
69 NON-FINANCIALS(632)	1870.36	+1.1	1850.70	1852.51	1833.71	1532.24	3.29	5.33	22.99	2.29	1285.06
70 FINANCIALS(105)	2736.34	+1.2	2703.55	2698.83	2666.69	1886.50	3.08	2.95	48.60	0.66	1047.23
71 Banks(10)	3569.19	+1.7	3509.83	3497.19	3449.32	2333.40	2.68	3.49	38.38	0.08	1031.89
73 Insurance(18)	1582.21	+0.6	1573.49	1576.83	1560.50	1326.60	4.20	‡	‡	0.09	1042.48
74 Life Assurance(6)	2896.32	+0.2	2890.96	2877.47	2838.62	2447.60	4.03	4.20	29.96	0.00	1064.07
75 Merchant Banks(6)	3761.29	+1.5	3707.33	3708.74	3696.52	2107.60	2.36	5.81	21.09	0.00	1102.10
77 Other Financial(25)	2241.52	+0.1	2240.03	2231.33	2203.50	1306.50	2.77	4.82	26.11	5.00	1166.66
79 Property(40)	1878.97	+0.9	1861.90	1871.40	1857.21	1110.60	3.28	2.96	46.32	1.78	1048.03
80 INVESTMENT TRUSTS(119)	3184.31	+0.8	3158.38	3150.29	3096.19	2189.60	1.88	1.60	62.48	5.03	1053.35
89 FT-SE-A ALL-SHARE(856)	1764.11	+1.1	1745.25	1745.95	1727.31	1396.35	3.21	4.80	25.85	1.88	1348.34

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3471.2	3473.6	3485.3	3499.2	3504.8	3508.0	3517.4	3517.5	3517.6	3520.4	3467.8
FT-SE Mid 250	4102.0	4105.6	4117.0	4127.2	4134.0	4138.5	4145.5	4146.8	4149.4	4150.9	4102.0
FT-SE-A 350	1754.4	1755.7	1761.4	1767.8	1770.6	1772.3	1776.7	1776.8	1777.1	1778.3	1753.2

Time of FT-SE 100 High 4.26pm Low 8.43am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1457.3	1457.1	1467.7	1469.1	1474.8	1478.7	1480.6	1481.7	1482.2	1483.2	1458.8	+24.4
Pharmaceuticals	3099.9	3104.1	3113.9	3122.5	3126.4	3142.9	3147.8	3147.6	3148.6	3160.9	3111.7	+49.2
Water	2087.4	2077.1	2090.4	2091.9	2095.2	2098.8	2106.0	2102.2	2102.3	2107.7	2074.9	+32.8
Banks	3537.4	3553.6	3583.2	3580.4	3590.1	3591.7	3601.0	3606.8	3610.7	3613.8	3553.5	+60.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries All-Share Index is compiled by The International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is calculated by the Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The Financial Times Limited 1994. All rights reserved. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	18,000	63½	+1½
Abbey National†	8,800	510	+11
Albert Fisher	1,400	68	+1
Allied-Lyons†	2,800	648	+14
Anglian Water†	1,400	579	+11
Argos	2,200	385	+6
Argyll Group†	8,700	288	+3
Arjo Wiggins†	1,900	283	+1
Assoc. Brit. Foods†	248	586	+2
Assoc. Brit. Ports	178	809	+6
BAA†	1,200	1085	+10
BAT Inds.†	4,800	521	-8
BET	3,000	154½	+3
BICC	849	471	+4
BOC†	2,200	744	+13
BP†	20,000	381½	+6
BPB Inds.	5,600	380	+1
BT†	7,900	477	+7
BT (P/Pd)	8,300	219	+6
BTR†	11,000	382	-2
Bank of Scotland†	2,000	230	-1
Barclays†	3,700	829	+8
Bass†	1,500	565	+6
Blue Circle†	1,400	388	+4
Booker	1,300	457	+6
Boots†	1,500	583	+11½
Bowater†	725	486	+5
Brit. Aerospace†	7,100	573	+28
British Airways†	7,100	484	+11
British Gas†	9,700	355	+1
British Land	678	449	+7
British Steel†	22,000	145	+5
Bunzl	783	160	-1
Burmah Castrol†	988	861	+18
Burton	20,000	68½	-1
Cable & Wireless†	1,800	536½	+1½
Cadbury Schweppes†	2,800	518½	-4½
Calor Group	72	356	
Caradon†	1,900	440	+2
Carlton Comms.†	924	1008	+10
Coats Viyella†	5,400	278	+4
Comm. Union†	851	691	-1
Cookson	830	264	+9
Courtaulds†	823	538	+13
Dalgety	473	513	+13
De La Rue	734	985	+2
Dixons	1,900	214	+1
Eastern Elect.	1,800	722	+21
East Midland Elect.	773	708	+16
Eng China Clays	735	512	
[illegible]	[illegible]	[illegible]	[illegible]
Shell Transport†	7,100	728	+3
Siebe†	1,200	586	-1
Slough Ests	112	304	-1
Smith (W.H.) A	273	512	+2
Smith & Nephew†	1,700	153½	-½
SmKl Beecham†	2,100	431	+8
SmKl Beecham Uts.†	1,500	399	+5
Smiths Inds.	1,000	485	+6
Southern Elect.†	1,100	743½	+26½
South Wales Elect.	552	818	+18
South West Water	907	545	+10
South West. Elect.	653	794	+18
Southern Water	2,100	661	+10
Standard Chartd.†	577	1410	+48
Storehouse	2,700	232	-2
Sun Alliance†	2,400	416	+6
T&N	3,800	245	-4
TI Group†	281	424	+4
TSB†	7,700	282½	+7½
Tarmac	4,100	158	+1
Tate & Lyle	747	452	+2
Taylor Woodrow	4,200	169	+2½
Tesco†	3,800	225	+6
Thames Water†	1,800	566	+6
Thorn EMI†	2,800	1128	+28
Tomkins†	5,700	287	+3
Trafalgar House	15,000	117	+5
Unigate	132	409	+10
Unilever†	1,800	1237	+19
United Biscuits†	747	369	+3
Utd. Newspapers	2,100	727	+19
Vodafone†	3,800	612	+14
Warburg (SG)†	1,000	1007	+17
Wellcome†	1,500	665	+4
Welsh Water	534	720	+10
Wessex Water	363	741	
Whitbread 'A'†	330	582	+2½
Williams Hldgs.†	945	396	-1
Willis Corroon	2,500	219	-1
Wimpey	1,000	233	+5
Wolseley†	823	807	-1
Yorkshire Elect.	924	725	+20
Yorkshire Water	509	608	+12
Zeneca†	2,900	796	+2

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option	Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct	Option	Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
[illegible]													

* Underlying security price. Premiums shown are based on closing offer prices. February 2 Total contracts: 52,225 Calls: 32,427 Puts: 22,798

FT GOLD MINES INDEX

	Feb 1	% chg on day	Jan 31	Jan 28	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2223.47	+2.7	2164.52	2128.60	1024.33	1.74	2367.46	1024.33
■ Regional Indices								
Africa (15)	2876.60	+1.2	2841.26	2782.10	1151.07	4.61	3440.80	1131.82
Australasia (8)	2945.35	+1.0	2917.27	2802.44	1068.52	1.54	3013.88	1068.52
North America (11)	1924.91	+3.8	1854.14	1818.78	982.14	0.49	2039.65	982.14

Copyright, The Financial Times Limited 1994.

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Feb. 2: 232.5 ; day's change: +7.6 points, Year ago: 81.1 † Partial Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	56	9
Other Fixed Interest	0	0	15
Mineral Extraction	87	44	76
General Manufactures	262	75	347
Consumer Goods	79	22	83
Services	186	58	278
Utilities	40	0	6
Financials	135	57	189
Investment Trusts	235	26	204
Others	35	53	23
Totals	1,072	391	1,250

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Jan. 24	Last Declarations	April 21
Last Dealings	Feb. 4	For settlement	May 3

Calls: Aegis, Aminex, BM, Bula Res, Burnfield, Butte Mng Pf, Caird 7% Pf, Carpetright, Cementone Wts, Filofax, Haemocell, Hanson Wts, Heywood Wms, Hobson, Kembrey, Matthews (B), Medeva, Nat Hme Ln, Premier Cons Oil, Rodime, T & N, Trafalgar Hse, Upton & Sthn, Verson, Westland. Puts: Caird 7% Pf, Dorling Kndsley, Euro Disney, Matthews (B), Tex Hldgs. Puts & Calls: Hartstone, Tex Hldgs.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	91.7	74½	66¾	Baring Emrg Euro	74		-	-	-	-
-	F.P.	10.5	49½	33¾	Do Warrants	42½	-¼	-	-	-	-
100	F.P.	64.0	100	98	Fairbairn Eur Sm	98½		-	-	-	-
-	F.P.	33.8	113	101½	Finsbury Under'wrt	113		-	-	-	-
100	F.P.	48.6	121½	100	For & Col Small C	121½	+½	-	-	-	-
60	P.P.	18.0	60	59	Friends Prov Eth	60		-	-	-	-
120	P.P.	38.4	128	121	Do. Units	128	+1	-	-	-	-
60	P.P.	18.6	63	61	Do. Zero Div Pf	62		-	-	-	-
-	F.P.	5.63	93	83	Pantheon Wrts	83		-	-	-	-
§40	F.P.	6.56	46	41	Rackwood	41	-1	-	-	-	-
§10	F.P.	2.13	11½	10¼	Rossmont	11½		-	-	-	-

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94½	
80	P.P.	-	88pm	80pm	Pantheon Cv Ln '95/97	88pm	
-	F.P.	-	110¼p	99¼p	Sun Alliance 7⅜pc Pf	109½p	-¼
-	F.P.	16/2	148¾p	127½p	Trafalgar Hse Cv Rd Pf	148¾p	+4½
-	F.P.	-	131	107	Witan 6¼pc Bds	130	+1

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
48	Nil	17/2	20pm	8pm	Anglo Irish	18pm	
120	Nil	16/3	112pm	103pm	Beralford	112pm	
88	Nil	9/2	20pm	9pm	Crest Nicholson	20pm	+5
68	Nil	24/2	7pm	½pm	Hallin	1½pm	
25	Nil	9/2	1¼pm	¾pm	§Ramus	1¼pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Feb 2	Feb 1	Jan 31	Jan 28	Jan 27	Yr ago	*High	*Low
Ordinary Share	2713.6	2679.9	2677.2	2639.9	2627.3	2225.7	2713.6	2124.7
Ord. div. yield	3.43	3.48	3.47	3.52	3.54	4.26	4.52	3.43
Earn. yld. % full	3.89	3.94	3.93	3.98	4.00	5.80	6.39	3.89
P/E ratio net	32.46	32.05	32.13	31.70	31.53	21.96	32.46	19.40
P/E ratio nil	30.09	29.71	29.78	29.39	29.23	20.25	30.09	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94, low 49.4 26/6/40 FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2670.5	2669.9	2682.1	2685.9	2698.7	2701.1	2709.2	2708.2	2709.5	2713.8	2666.3

	Feb 2	Feb 1	Jan 31	Jan 28	Jan 27	Yr ago
SEAQ bargains	43,564	43,422	45,756	45,304	36,905	34,779
Equity turnover (£m)†	-	2185.3	1798.4	2200.2	2019.2	1739.5
Equity bargains†	-	49,417	50,709	50,867	43,137	40,201
Shares traded (ml)†	-	962.0	878.0	1015.4	847.1	769.0

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24⅜	+⅛	£25¼	£16⅛	6,868	4.2	13.1
ANZ A$		202½	+6	205¼	130	3,435	3.5	20.7
Abbey National	†□	510	+11	524	345	6,686	2.9	19.7
Allied Irish I£	‡†□	288	–4	314	179	1,950	3.5	15.1
Anglo Irish I£	NΩ□	69xd	—	*70	38	195.5	6.3	12.4
Asahi Y		738½	+15½	844	415	18,846	0.8	–
Banco Bil Viz Pta		£15⅝	+⅛	£17⅜	£13⅜	3,559	5.3	6.9
Banco Sant Pta		£32¼	—	£36	£24⅜	3,569	4.1	12.2
Bank Leumi (UK)		375	—	375	325	29.8	5.7	–
Bk Ireland I£	‡†Ω□	386	–1	*319	177	1,442	4.1	22.8
Bank Scotland	‡†□	230	–1	247	116½	2,677	2.5	31.2
9¼pc Pf		141⅛	—	141½	117¼	141.3	8.2	–
9¼pc Pf		149¼	—	149½	123½	149.2	8.2	–
Barclays	‡NΩ□	629	+9	652	362	10,208	2.5	–
Dai Ichi Kan Y		£12⅜	+⅜	£15⅝	£8⅞	35,503	0.4	70.0
Deutsche DM		£322¼	–½	£346⅞	£250½	15,347	1.9	–
Espirito Santo		£28⅛	+1⅛	£28⅞	£16½	279.0	3.1	6.3
First Nat Fin	NΩ□	87xd	–1	*95	45	145.0	2.2	♦
6.3pc Cv Pf		88	—	*91	55	9.82	8.9	–
7pc Cv Pf		167	—	169	106	79.2	5.2	–
Fuji Bank Y		1411½	+95½	1651	876	40,898	0.4	–
HSBC HK	†□	1058	+24	1066	474	18,060	2.4	25.3
HSBC (75p Shs)	†□	1040	+26	1046	490	6,536	2.4	24.9
Lloyds	†□	639	+1	650	492	8,204	3.7	18.3
Mitsubishi Y		£16⅞	+⅞	£18¼	£11⅛	52,581	0.3	–
Mits Tst & Bk Y		876	–19	1012½	462½	11,407	0.6	14.7
Mitsui Tst & Bk Y		755¼	+46¼	852	374	9,849	0.7	25.7
Nat Aust A$		617½	+9	617½	322	8,118	3.8	15.0

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL

PROPERTY - Cont.

SPIRITS, WINES & CIDERS - Cont.

TRANSPORT - Cont.

WATER

SUPPORT SERVICES

AMERICANS

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

TEXTILES & APPAREL

RETAILERS, FOOD

INVESTMENT COMPANIES

PHARMACEUTICALS

MERCHANT BANKS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£18¾	—	£18¾	£7½	1,118	3.7	15.8
Barlow		84½	+½	55¼	£4	820.4	7.0	8.5
Gold Fields SA R		£15⅝	+⅞	£18	£7¼	1,447	2.7	25.2
MK Props.	a	95	—	97	68	3.82	9.3	39.1
SASOL	♥	289	+5	308	215	1,637	5.4	–
SA Brews		£13½	+⅛	£15¼	£7⅞	7,232	2.1	22.1
Tiger Oats		713	—	838	513	1,071	2.3	15.1
Tongaat-Hulett	†	518xd	+3	518	212	387.7	2.9	14.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♣ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other offical estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other offical estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

TOBACCO

TRANSPORT

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

OIL EXPLORATION & PRODUCTION

LEISURE & HOTELS

PROPERTY

OIL, INTEGRATED

SPIRITS, WINES & CIDERS

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4614. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Gr's

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Grs

TSB Unit Trusts (1200)F

Chantry Pl, Andover, Hants, SP10 1RE

T.U. Fund Managers Limited (1200)H

MLA Tower, Addiscombe Road, Croydon

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

31 Queen Street, London EC4R 1AX

OTHER UK UNIT TRUSTS

INSURANCES

Bid Price | Offer Price | + or - | Yield Gross

AXA Equity & Law Life Assce

Amersham Road, High Wycombe 0494 463463

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Life Insurance Ltd				
New Hall Place, Liverpool L69 3HS 051-236 3600				
Royal Shield Fd.	1007.6	1060.2	—	–
Royal Life (Unit Linked Assurance) Ltd				
Managed Fund	401.7	422.8	-0.1	–
Equity Fund	573.0	603.1	-0.6	–
Property Fund	316.4	333.0	+0.9	–
International Fund	502.9	529.3		–
Gilt Fund	383.0	403.1	-1.0	–
Money Fund	216.7	228.1	+0.1	–
United States Fund	258.9	273.6	+0.3	–
Pacific Basin	310.2	326.5	-0.2	–
Royal Life (Unit Linked Pension Fds) Ltd				
Exempt Man Fd Acc	498.3	524.5	-0.4	–
Exempt Equity Fd Acc	877.4	923.6	-2.9	–
Exempt Prop Fd Acc	321.8	338.7	—	–
Exempt Intl Fd Acc	824.1	867.4	+1.7	–
Exempt Gilt Fd Acc	457.8	481.9	-1.5	–
Exempt Money Fd Acc	297.8	313.4	+0.4	–
Royal Liver Assurance				
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451				
UK Equity	84.8	89.0	+1.1	–
Global Equity	62.3	65.6	+1.0	–
High Yield	81.9	86.2	-0.1	–
Intl Equity	90.3	95.0	+3.2	–
Fixed Interest	82.4	86.9	-0.6	–
Money	76.1	80.1	+0.1	–
Managed	85.9	90.4	+1.5	–
Pensions				
UK Equity	92.7	97.6	+1.3	–
Global Equity	66.8	70.3	+1.3	–
High Yield	96.3	101.3	-0.3	–
Intl Equity	101.7	107.0	+4.4	–
Fixed Interest	99.60	104.7	-0.8	–
Money	94.1	99.1	+0.1	–
Managed	97.3	102.4	+2.0	–
Tax Exempt				
Tax Exempt Mgd	72.9	76.7	+1.8	–
S-E-Banken Life Assurance Co Ltd				
149-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7595				
Managed Fund	162.5	171.1	—	–
Pension Mngd Fd	163.7	163.4	—	–
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Sel Inv Fd	792.0	838.2	-0.5	2.15
[illegible]				

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd (z)				
Skandia Hse, Portland Terr, Southampton 0703 334411				
Skandia Valuation Line 0800 181300				
Life Managed Funds				
Skandia Cautious	149.5	157.3	+0.8	–
Skandia Balanced	395.4	416.2	+2.1	–
Skandia Distribution	121.3	127.6	+0.4	–
Skandia Ethical Selection	127.2	133.8	+0.5	–
Skandia Deposit	260.3	274.0		–
Abtrust Managed	139.0	146.2	+0.7	–
Baring Managed	151.2	159.1	+0.4	–
CU Managed	254.4	267.7	+0.4	–
Fidelity Managed	219.6	231.1	+1.6	–
Fleming Managed by Tst	182.0	190.0	+1.2	–
F & C Investment Trust	196.1	206.4	+2.9	–
Framlington Managed	247.5	260.5	+0.9	–
Gartmore Managed	278.0	292.6		–
Henderson Managed	270.3	284.0	+1.0	–
Hill Samuel Managed	244.9	257.6	+0.6	–
Invesco Managed	212.2	223.3	+0.4	–
James Capel Core Mngd	147.7	155.4	+0.6	–
Kleinwort Benson Mngd	146.9	154.6	+0.5	–
Martin Currie Mngd	163.3	171.8	+1.3	–
Morgan Grenfell Mngd	167.0	175.7	+0.9	–
Murray Johnstone Managed	162.6	171.1	+1.8	–
Perpetual Managed	236.6	249.0	+1.1	–
Schroder Managed	144.6	152.1	+0.3	–
Pension Managed Funds				
Skandia Cautious	165.6	174.3	+1.0	–
Skandia Balanced	629.3	662.4	+4.1	–
Skandia Ethical Selection	141.8	149.2	+0.7	–
Skandia Deposit	447.5	471.0		–
Abtrust Managed	150.9	158.8	+1.0	–
Baring Managed	173.7	182.8	+0.6	–
BZW/AM Managed	137.9	145.1	+0.9	–
CU Managed	310.2	326.5	+0.6	–
Fidelity Managed	247.4	260.4	+2.5	–
Fleming Managed by Tst	179.6	189.7	+2.0	–
F & C Investment Trust	227.4	239.3	+3.9	–
Framlington Managed	385.8	406.1	+1.8	–
Gartmore Managed	418.3	440.3		–
Henderson Managed	374.3	394.0	+1.0	–
Hill Samuel Managed	319.0	335.7	+2.1	–
Invesco Managed	300.2	316.1	+0.7	–
James Capel Core Mngd	167.6	176.4	+0.8	–
Kleinwort Benson Mngd	168.5	168.6	+0.6	–
[illegible]				

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Foreign & Colonial Mngmt (Jersey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
USS Cash	$11.193		+0.001	–
Sterling Cash	£13.392		-0.001	–
US$ Bonds	$17.136		-0.030	–
Multicurrency Bonds	$12.934		-0.061	–
Sterling Bonds	£17.793		-0.049	–
D Mark Bonds	DM12.993		-0.003	–
European Bonds	Ecu14.990		-0.016	–
UK Equities	£14.705		+0.219	–
US Equities	$19.187		+0.028	–
Japanese Equities	Y1167.4		-17.2	–
Cont'l Euro Equities	DM21.988		+0.119	–
UK Negative Equities	£10.047		-0.129	–
US Negative Eq				–
Japanese Negative Eq	Y800.9		-21.8	–
Cont Eur Negative Eqs				–
UK Geared Equities	£11.878		+0.343	–
US Geared Equities	$11.875		+0.028	–
Japanese Geared Eqs	Y1060.7		-55.2	–
Cont'l Euro Geared Eqs	DM17.428		+0.172	–
Gold	$11.195		+0.109	–
Protected Capital Plan A	£11.434		-0.003	–
Protected Capital Plan B	£11.375		-0.029	–

Greece Fund Ltd

NAV Jan 31	$73.18		–	–

John Govett Management (Jersey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
S'pore Sterling Fd NAV Jan 21	$24.9374		–	–
Patagon Fd NAV Dec 31	$10.45		–	–
Paragon Redemption	$10.12		–	–
Hungarian Inv Co Dec 31	$95.48		–	–
Dollar Global Managed Hedge	$17.4191	11.98	–	–
Dlr Geared Cur NAV Jan 28	$13.53		–	–
Dlr Geared Bd Jan 28	$7.58		–	–
Govett India Fund	$12.52	12.98	–	–
Inv Intl Protected Inv Fund	£10.7000	11.3262	–	–
Sterling Balanced Hedge	£9.8149	10.66	–	–
Swiss Franc Balanced Hedge	SFr10.2887	10.97	–	–
Govett Mgd Fine Jan 28	£13.72	15.00	–	–
Govett Mgd Fine Jan 28	$09.04	10.55	–	–
Taiwan Capital	$8.83	10.43	–	–

INVESCO International Limited

All Funds deal daily except where indicated.

Sterling Denominated Income Funds

American Equity Inc	£1.9810	2.1040	+0.0030	2.74
Japan Inc & Gwth	£2.0880	2.2210	-0.0450	1.72

Sterling Denominated Growth Funds

Commercial Union Luxembourg SA - Contd.

Reserve Funds

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dollar Reserve Acc		$–	10.744			1.42
Dollar Reserve Div		$–	9.9115			1.42
Yen Reserve Acc		Y–	1057	1082		1.08
Yen Reserve Div		Y–	991	1001		1.08
D'mark Reserve Acc		DM–	12.0850			5.18
D'mark Reserve Div		DM–	9.9386			5.18
Stlg Reserve Acc		£–	1.3913	1.4054		4.52
Stlg Reserve Div		£–	0.8936	1.8036		4.52

Bond Funds

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
D'mark Bond Acc		DM–	57.2442		–	5.18
Peseta Bond Acc		Pta–	319	322		8.27
Peseta Bond Div		Pta–	217	219		8.27
Sterling Bond Acc		£–	178.7803			6.16
US $ Bond Acc		$–	152.9691			3.66
Worldwide Bond Acc		SFr–	76.4434	77.224		5.37

Gresvale Group (u)

11 Rue Aldringen, L-1118 Luxembourg 071-357 6400

Managed Convertible (z)	$–	2.36		-0.01	–
Equity Warrant (Japan) (z)	$–	1.83		-0.03	–
Hedge Fund	$–	21.20		–	–
Hedge Fund US$ z	$–	10.29		–	–
Hedge (C)	£–	97.21		–	–

DB Investment Management SA

2 Boulevard Konrad Adenauer, Lux 010 352 421011

Eurorenta	DM–	89.62	92.31	–	–
Dollarrenta	$–	57.82	59.56	–	–
DM Reserve	DM–	180.34	180.95	–	–

Den norske Bank

2 Boulevard Royal, Lux 010 352 4590 3271

DnB Inv Nordic Bds Cap	NKr–	13071.22		+7.63	–
DnB Inv Nordic Eq Cap	NKr–	17691.22		+12.36	–

Disa Income Fund

69 Blvd Petrusse, L 2320, Luxembourg (352) 407330

DISA Income	R–	46.34		–	18.66

Dolphin Intl Investments (u) SICAV

14 rue Aldringen, L-1118 Luxembourg 0534 27391

Cont Capital Bonds	$–	7.3820		–	–
Intl Growth & Income	$–	5.7088		–	–
International Bond	$–	5.4806		–	–

Dresdnerbank Asset Mngmt SA (u)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Sterling trades lower

Rumours about the Bank of England trying to cap the rise of sterling caused the UK currency to weaken yesterday, *writes Philip Gawith.*

The release of better than expected January UK official reserves appeared to be the cause for sterling falling below DM2.59 and $1.50 in early European trading. The currency regained some of its losses against the D-Mark, but stayed weaker against the dollar in London trading.

There was little activity in the EMS grid ahead of today's meeting of the Bundesbank council which will consider whether to ease German monetary policy.

■ With no statement forthcoming about the monthly monetary policy meeting between UK chancellor Mr Kenneth Clarke and Mr Eddie George, governor of the Bank of England, markets yesterday turned to UK reserves figures for direction. News of the figures, which were higher than forecast, pushed the pound below a key technical support level of DM2.5950 prompting further selling.

One explanation for why the level of reserves caused sterling weakness was that traders saw it as evidence that the Bank of England had tried to cap sterling's appreciation. Analysts reasoned that the rise in the reserves, which are dollar denominated, showed that sterling had been sold. Mr Peter Luxton of Barclays commented: "Although the bank says it has no formal targets for sterling, the figures do lend credence to the view that it is not happy with sterling going above DM2.60."

Others are sceptical about this explanation. Mr Gerry Holtham, chief economist at Lehman Brothers, notes: "It may be a plausible account of why sterling weakened, but it is not a credible explanation about how the Bank behaves. I don't think the Bank believes it can influence the level of sterling for long. Also, if it wanted to talk sterling down, then you wouldn't have Eddie George (governor of the Bank of England) going out and talking as he has been doing."

This is a reference to a speech made by Mr George on Tuesday evening, in which he said prospects for sustained output growth and gradually falling unemployment were "better than at any time" in his 31-year professional career. Lunch-time rumours in the stock market of a possible base rate cut put further downward pressure on sterling.

Few currency analysts, however, were expecting a UK rate cut to emerge from yesterday's meeting. It was noted that if Mr Clarke wishes to maintain his credibility, he needs more compelling evidence of an economic slowdown than is currently available, if he wants to justify easing rates.

Mr Clarke's positive comments in recent weeks about the strength of the economic recovery have given no evidence that he wishes to cut rates.

Sterling finished weaker against all the main currencies. It lost one pfennig to close in London at DM2.5928 and was more than a cent down against the dollar, at $1.495.

■ In the absence of fresh data ahead of today's Bundesbank council meeting, the D-Mark traded in a fairly narrow range. Opinion was evenly divided as to whether or not the central bank would relax policy. In a Reuters poll of 20 London and European-based analysts, 10 said they expected the German central bank to cut, while 10 saw no easing.

Of those expecting a rate cut, seven forecast a 50 basis points cut in both the Lombard and discount rates which, respectively, provide a ceiling and a floor between which the Bundesbank offers liquidity to the market.

Mr Holtham said it would be unusual for the central bank to cut rates in the middle of annual wage talks. The Bundesbank has always taken pay negotiations as a key indicator of inflationary pressures. Although these are going well overall, the Bank is expected to wait for some higher profile unions, such as IG Metall and IG Bau, to settle before making its move.

Mr Holtham said he did not believe German money supply figures, or perceived D-Mark weakness, were obstacles to easing policy. He noted that the dollar had fallen back from recent highs of DM1.76-77 and there was insufficient momentum behind the currency to bother the Bundesbank.

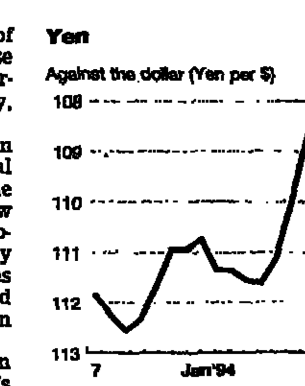
■ After recent gains against the dollar, the yen weakened slightly yesterday to close in London at Y108.050 from Y107.640 on Tuesday. Some evidence of the shape of the fiscal stimulus planned by the government emerged late yesterday. Mr Morihiro Hosokawa, the Japanese prime minister, announced that the government proposed to implement income tax cuts totalling Y5.3trillion, effective from January 1 1994. "In the next three years we will see a tax revenue shortfall of Y18trillion. This will increase household incomes and stimulate the economy," said Mr Hosokawa.

■ The Bank of England provided the UK money market with £750m of late, unspecified assistance. Earlier in the day, it put £219m of assistance into the market at the established rate of 5⅜ per cent.

The £300m upward revision in the expected shortage, from £900m to £1.2bn, in the early afternoon caused overnight lending rates to rise quite sharply. These rose from the 5¼-¾ per cent level in the morning to a high of 8½ per cent at about 2.30pm.

Yen

Against the dollar (Yen per $)



Source: FT Graphite

■ **Pound in New York**

Feb 2	—Latest—	— Prev. close —
£ spot	1.4960	1.5010
1 mth	1.4934	1.4983
3 mth	1.4884	1.4935
1 yr	1.4754	1.4808

POUND SPOT FORWARD AGAINST THE POUND

Feb 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.2211	-0.0876	112 - 309	18.2731	18.1845	18.2249	-0.3	18.2343	-0.3	-	-	113.2
Belgium	(BFr)	53.5906	-0.115	390 - 421	53.6999	53.4906	53.6456	-1.2	53.7406	-1.1	54.1056	-1.0	113.3
Denmark	(DKr)	10.0690	-0.0405	641 - 738	10.0877	10.0490	10.0795	-1.3	10.093	-1.0	10.11	-0.4	114.4
Finland	(FM)	8.2746	-0.0035	643 - 848	8.2848	8.2430	-	-	-	-	-	-	82.3
France	(FFr)	8.8026	-0.0382	974 - 077	8.8251	8.7834	8.8099	-1.0	8.8226	-0.9	8.8394	-0.4	107.7
Germany	(DM)	2.5928	-0.01	915 - 941	2.6059	2.5860	2.5943	-0.7	2.596	-0.5	2.5956	-0.1	121.8
Greece	(Dr)	372.853	-1.134	579 - 127	374.195	371.396	-	-	-	-	-	-	-
Ireland	(I£)	1.0419	-	410 - 428	1.0428	1.0378	1.0423	-0.5	1.0435	-0.6	1.0472	-0.5	103.6
Italy	(L)	2527.30	-10.64	571 - 889	2533.97	2523.45	2533.4	-2.9	2545.95	-3.0	2592.7	-2.6	76.1
Luxembourg	(LFr)	53.5906	-0.115	390 - 421	53.6999	53.4906	53.6456	-1.2	53.7406	-1.1	54.1056	-1.0	113.3
Netherlands	(Fl)	2.9050	-0.0108	032 - 067	2.9176	2.8988	2.9049	0.0	2.9058	-0.1	2.8952	0.3	117.7
Norway	(NKr)	11.1470	-0.0475	418 - 522	11.1942	11.1239	11.1435	0.4	11.1375	0.3	11.1452	0.0	84.5
Portugal	(Es)	261.027	-0.757	790 - 264	262.057	260.302	262.302	-5.9	264.452	-5.2	-	-	-
Spain	(Pta)	210.347	-0.421	201 - 492	211.215	210.201	210.922	-3.3	212.052	-3.2	216.162	-2.8	85.1
Sweden	(SKr)	11.8400	-0.0199	285 - 514	11.8766	11.7467	11.8635	-2.4	11.8945	-1.8	12.012	-1.5	77.3
Switzerland	(SFr)	2.1730	-0.0055	715 - 745	2.1755	2.1662	2.1711	1.0	2.1662	1.3	2.1428	1.4	118.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.0
Ecu	-	1.3352	-0.0043	344 - 359	1.3377	1.3328	1.3365	-1.2	1.3383	-0.9	1.342	-0.5	-
SDR†	-	0.921084	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4926	-0.0138	920 - 931	1.4989	1.4913	-	-	-	-	-	-	-
Brazil	(Cr)	711.979	+7.624	733 - 224	714.000	699.000	-	-	-	-	-	-	-
Canada	(C$)	1.9850	-0.0217	839 - 860	1.9972	1.9810	1.9823	1.6	1.9767	1.7	1.9616	1.2	91.2
Mexico	(New Peso)	4.6420	-0.0376	389 - 450	4.6591	4.6379	-	-	-	-	-	-	-
USA	($)	1.4950	-0.0121	945 - 955	1.5010	1.4932	1.4924	2.1	1.4874	2.0	1.4747	1.4	66.8
Pacific/Middle East/Africa													
Australia	(A$)	2.0926	-0.016	911 - 940	2.1021	2.0900	2.0911	0.9	2.0887	0.7	2.0868	0.3	-
Hong Kong	(HK$)	11.5474	-0.0919	428 - 520	11.5915	11.5342	11.5257	2.3	11.4914	1.9	11.3913	1.4	-
India	(Rs)	46.8982	-0.372	787 - 176	47.0830	46.8450	-	-	-	-	-	-	-
Japan	(Y)	161.535	-0.689	406 - 664	163.160	161.210	161.14	2.9	160.255	3.2	156.735	3.0	181.8
Malaysia	(M$)	4.1427	-0.0327	405 - 448	4.1576	4.1377	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6134	-0.0196	109 - 159	2.6281	2.6109	2.6153	-1.3	2.6206	-1.1	2.6292	-0.6	-
Philippines	(Peso)	41.3369	-0.3348	240 - 497	41.9867	41.0240	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6052	-0.0465	026 - 078	5.6291	5.6002	-	-	-	-	-	-	-
Singapore	(S$)	2.3729	-0.0151	713 - 744	2.3837	2.3697	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1058	-0.0361	030 - 086	5.1252	5.1021	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5892	-0.0647	795 - 989	6.6309	6.5795	-	-	-	-	-	-	-
South Korea	(Won)	1207.44	-10.07	696 - 792	1212.51	1206.06	-	-	-	-	-	-	-
Taiwan	(T$)	39.5054	-0.3273	847 - 261	39.6600	39.4700	-	-	-	-	-	-	-
Thailand	(Bt)	37.9856	-0.3374	155 - 156	38.1250	37.9155	-	-	-	-	-	-	-

†SDR rate for Feb.1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.1880	+0.053	855 - 905	12.1955	12.1505	12.213	-2.5	12.253	-2.1	12.353	-1.4	102.5
Belgium	(BFr)	35.8465	+0.2115	240 - 690	35.8690	35.7200	35.9465	-3.3	36.1315	-3.2	36.6865	-2.3	103.4
Denmark	(DKr)	6.7351	+0.0272	341 - 361	6.7415	6.7159	6.7536	-3.3	6.7856	-3.0	6.8551	-1.8	103.4
Finland	(FM)	5.5346	+0.0421	298 - 398	5.5417	5.4959	5.5413	-1.4	5.5528	-1.3	5.5933	-1.1	76.7
France	(FFr)	5.8880	+0.0219	865 - 895	5.8917	5.8727	5.9031	-3.1	5.9316	-3.0	5.9937	-1.8	104.0
Germany	(D)	1.7343	+0.0073	340 - 346	1.7360	1.7281	1.7383	-2.8	1.7453	-2.5	1.76	-1.5	103.4
Greece	(Dr)	249.400	+1.25	300 - 500	250.600	248.170	252.75	-16.1	259.9	-16.8	290.4	-16.4	71.4
Ireland	(I£)	1.4349	-0.0116	341 - 356	1.4458	1.4341	1.4317	2.7	1.4252	2.7	1.4076	1.9	-
Italy	(L)	1690.50	+6.51	000 - 100	1692.00	1686.50	1697.5	-5.0	1711.7	-5.0	1758	-4.0	76.6
Luxembourg	(LFr)	35.8465	+0.2115	240 - 690	35.8690	35.7200	35.9465	-3.3	36.1315	-3.2	36.6865	-2.3	103.4
Netherlands	(Fl)	1.9431	+0.0084	426 - 436	1.9444	1.9379	1.9465	-2.1	1.9525	-1.9	1.9631	-1.0	103.0
Norway	(NKr)	7.4562	+0.0284	552 - 572	7.4710	7.4221	7.4667	-1.7	7.4879	-1.7	7.5462	-1.2	94.8
Portugal	(Es)	174.600	+0.9	500 - 700	175.500	174.100	175.59	-6.8	177.6	-6.9	185.1	-6.0	94.2
Spain	(Pta)	140.700	+0.85	650 - 750	140.860	140.180	141.33	-5.4	142.565	-5.3	146.57	-4.2	80.9
Sweden	(SKr)	7.9197	+0.0504	147 - 247	7.9329	7.8390	7.9472	-4.2	7.9987	-4.0	8.1522	-2.9	83.0
Switzerland	(SFr)	1.4535	+0.006	530 - 540	1.4551	1.4477	1.4547	-1.0	1.4563	-0.8	1.4545	-0.1	104.3
UK	(£)	1.4950	-0.0121	945 - 955	1.5010	1.4932	1.4924	2.1	1.4874	2.0	1.4747	1.4	91.5
Ecu	-	1.1198	-0.0053	195 - 200	1.1222	1.1193	1.1167	3.3	1.1115	3.0	1.099	1.9	-
SDR†	-	1.38531	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9984	-0.0012	983 - 984	0.9984	0.9983	-	-	-	-	-	-	-
Brazil	(Cr)	476.240	+8.662	235 - 245	476.245	476.235	-	-	-	-	-	-	-
Canada	(C$)	1.3278	-0.0037	275 - 280	1.3317	1.3260	1.3283	-0.5	1.3291	-0.4	1.3303	-0.2	87.6
Mexico	(New Peso)	3.1050	-	040 - 060	3.1060	3.1040	3.1066	-0.6	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3997	+0.0006	992 - 002	1.4023	1.3945	1.4007	-0.9	1.4036	-1.1	1.4111	-0.8	88.3
Hong Kong	(HK$)	7.7240	+0.001	235 - 245	7.7245	7.7230	7.7255	-0.2	7.728	-0.2	7.739	-0.2	-
India	(Rs)	31.3700	+0.005	675 - 725	31.3725	31.3625	31.435	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	108.0500	+0.41	000 - 000	108.100	107.560	107.975	0.8	107.765	1.1	106.285	1.6	142.4
Malaysia	(M$)	2.7710	+0.0005	705 - 715	2.7740	2.7696	2.7645	2.8	2.7635	1.1	2.786	-0.5	-
New Zealand	(NZ$)	1.7481	+0.0009	470 - 492	1.7519	1.7470	1.7497	-1.1	1.7542	-1.4	1.7684	-1.2	-
Philippines	(Peso)	27.6500	-	500 - 500	27.9000	27.4500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7493	-0.0007	488 - 498	3.7504	3.7488	3.7517	-0.8	3.756	-0.7	3.7748	-0.7	-
Singapore	(S$)	1.5872	+0.0027	867 - 877	1.5885	1.5846	1.5861	0.9	1.5839	0.8	1.5962	-0.6	-
S Africa (Com.)	(R)	3.4153	+0.0035	145 - 160	3.4160	3.4125	3.4323	-6.0	3.4613	-5.4	3.5688	-4.5	-
S Africa (Fin.)	(R)	4.4075	-0.0075	025 - 125	4.4200	4.4025	4.4385	-8.4	4.4975	-8.2	-	-	-
South Korea	(Won)	807.650	-0.2	600 - 700	807.800	807.600	810.65	-4.5	814.15	-3.2	832.65	-3.1	-
Taiwan	(T$)	26.4250	-0.005	200 - 300	26.4300	26.4100	26.5275	-4.7	26.675	-3.8	-	-	-
Thailand	(Bt)	25.3950	-0.02	700 - 200	25.4200	25.3500	25.465	-3.3	25.605	-3.3	25.745	-1.4	-

†SDR rate for Feb.1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. Morgan Guaranty Changes shown for Jan.31. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb.2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.79	16.43	4.839	1.944	4715	5.421	20.81	487.0	392.4	22.09	4.065	1.866	3.704	2.790	301.4	2.491
Denmark	(DKr)	53.22	10	8.742	2.575	1.035	2509	2.885	11.07	259.2	208.8	11.76	2.158	0.993	1.971	1.485	160.4	1.326
France	(FFr)	60.88	11.44	10	2.946	1.184	2871	3.300	12.67	296.5	238.9	13.45	2.468	1.136	2.255	1.698	183.5	1.517
Germany	(DM)	20.67	3.884	3.395	1	0.402	974.5	1.120	4.300	100.7	81.10	4.566	0.838	0.386	0.766	0.577	62.28	0.515
Ireland	(I£)	51.43	9.664	8.448	2.488	1	2425	2.788	10.70	250.5	201.8	11.36	2.085	0.960	1.905	1.435	155.0	1.281
Italy	(L)	2.121	0.398	0.348	0.103	0.041	100.	0.115	0.441	10.33	8.322	0.469	0.086	0.040	0.079	0.059	6.391	0.053
Netherlands	(Fl)	18.45	3.466	3.030	0.893	0.359	869.9	1	3.838	89.85	72.39	4.076	0.748	0.344	0.683	0.515	55.59	0.460
Norway	(NKr)	48.06	9.031	7.895	2.326	0.935	2266	2.605	10	234.1	188.6	10.62	1.949	0.897	1.780	1.341	144.8	1.197
Portugal	(Es)	20.53	3.858	3.373	0.993	0.399	968.2	1.113	4.272	100.	80.57	4.536	0.833	0.383	0.761	0.573	61.88	0.511
Spain	(Pta)	25.48	4.788	4.186	1.233	0.495	1202	1.381	5.302	124.1	100.	5.630	1.033	0.476	0.944	0.711	76.80	0.635
Sweden	(SKr)	45.26	8.505	7.435	2.190	0.880	2134	2.454	9.417	220.4	177.6	10	1.835	0.845	1.677	1.263	136.4	1.128
Switzerland	(SFr)	24.66	4.634	4.051	1.193	0.480	1163	1.337	5.131	120.1	96.76	5.449	1	0.460	0.913	0.688	74.32	0.614
UK	(£)	53.59	10.07	8.803	2.593	1.042	2527	2.905	11.15	261.0	210.3	11.84	2.173	1	1.985	1.495	161.5	1.335
Canada	(C$)	27.00	5.073	4.435	1.306	0.525	1273	1.463	5.617	131.5	105.9	5.965	1.095	0.504	1	0.753	81.36	0.673
US	($)	35.85	6.736	5.888	1.734	0.697	1690	1.943	7.458	174.6	140.7	7.920	1.454	0.669	1.328	1	108.0	0.893
Japan	(Y)	331.8	62.35	54.51	16.06	6.452	15647	17.99	69.04	1616	1302	73.31	13.46	6.192	12.29	9.257	1000.	8.266
Ecu		40.14	7.543	6.594	1.942	0.781	1893	2.176	8.352	195.5	157.5	8.869	1.628	0.749	1.487	1.120	121.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Feb 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.780134	+0.003574	-3.52	6.05	24
Netherlands	2.19672	2.17624	-0.00296	-0.93	3.28	-
Germany	1.94964	1.94227	-0.0028	-0.38	2.70	-
Belgium	40.2123	40.1560	+0.0491	-0.14	2.46	1
France	6.53883	6.59724	-0.00678	0.89	1.41	-7
Portugal	192.854	195.517	-0.002	1.38	0.92	-9
Denmark	7.43679	7.54387	-0.00543	1.44	0.86	-10
Spain	154.250	157.820	+0.416	2.31	0.00	-16
NON ERM MEMBERS						
Greece	264.513	279.368	-0.338	5.62	-3.13	-
Italy	1793.19	1896.33	-0.05	5.75	-3.25	-
UK	0.786749	0.749661	+0.003586	-4.71	7.37	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.5758	0.5755	+0.0005	0.5767	0.5748	58,186	134,567
Jun	0.5726	0.5727	+0.0009	0.5730	0.5719	236	8,703
Sep	-	0.5702	+0.0004	0.5702	-	52	320

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.9294	0.9263	-0.0022	0.9305	0.9227	43,276	77,449
Jun	0.9289	0.9290	-0.0023	0.9325	0.9282	501	6,742
Sep	-	0.9335	-	-	0.9335	29	870

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.400	9.18	8.93	8.85	-	0.04	0.15
1.425	6.73	6.57	6.69	-	0.08	0.42
1.450	4.25	4.33	4.71	-	0.25	0.93
1.500	1.97	2.50	3.06	0.14	0.92	1.76
1.500	0.46	1.17	1.87	1.07	2.08	2.96
1.525	0.02	0.43	1.04	3.03	3.78	4.61

Previous day's vol., Calls 11,847 Puts 31,092 . Prev. day's open int., Calls 475,604 Puts 481,478

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.6892	0.6878	-0.0011	0.6900	0.6876	31,726	41,594
Jun	0.6885	0.6878	+0.0005	0.6885	0.6878	217	693
Sep	-	-	-	-	-	-	-

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	1.4980	1.4916	-0.0044	1.4980	1.4904	15,736	53,063
Jun	1.4872	1.4850	-0.0042	1.4872	1.4850	72	1,438
Sep	1.4750	1.4780	-0.0090	1.4780	1.4750	-	-
Dec	-	1.4780	-	-	1.4780	-	-

WORLD INTEREST RATES

MONEY RATES

February 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	7¼	6¼	6⅞	6½	6⅜	7.40	5.25	-
week ago	7½	6⅝	7	6⅝	6⅝	7.40	5.25	-
France	6⅛	6⅛	6⅜	6⅛	5⅞	6.20	-	7.75
week ago	6⅛	6⅛	6⅛	6⅛	5⅝	6.20	-	7.75
Germany	6.02	6.05	5.80	5.60	5.26	6.75	5.75	6.00
week ago	6.13	6.05	5.86	5.65	5.35	6.75	5.75	6.00
Ireland	6	5⅞	5⅞	5¾	5⅞	-	-	6.75
week ago	6⅛	5⅞	5⅞	5⅞	5⅞	-	-	6.75
Italy	8⅝	8½	8⅛	8¼	7⅞	-	8.00	8.92
week ago	8⅞	8½	8⅛	8¼	8	-	8.00	8.92
Netherlands	5.56	5.43	5.24	5.01	4.85	-	5.25	-
week ago	5.56	5.43	5.24	5.02	4.86	-	5.25	-
Switzerland	4¼	4¼	4⅛	3⅞	3¼	6.625	4.00	-
week ago	4½	4¼	4⅛	3⅞	3¾	6.625	4.00	-
US	3⅛	3⅛	3¼	3⅜	3⅝	-	3.00	-
week ago	3	3⅛	3⅛	3⅜	3⅝	-	3.00	-
Japan	2⅛	2¼	2⅛	2⅛	2⅛	-	1.75	-
week ago	2¼	2¼	2⅛	2	1⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3⅛	3⅛	3½	3⅞	-	-	-
week ago	-	3⅛	3¼	3⅝	3¾	-	-	-
US Dollar CDs	-	3.04	3.14	3.30	3.60	-	-	-
week ago	-	3.04	3.04	3.16	3.48	-	-	-
SDR Linked Ds	-	3⅛	3⅝	3⅝	3⅝	-	-	-
week ago	-	3⅛	3¼	3⅜	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6¾ - 6½	6¾ - 6½	6¾ - 6⅝	6⅝ - 6½	6½ - 6⅜	6⅛ - 6⅛
Danish Krone	6 - 5⅞	6⅝ - 6⅛	6½ - 6⅛	6⅝ - 6⅛	6 - 5⅞	5⅝ - 5⅞
D-Mark	6⅛ - 6	6⅛ - 6	6⅛ - 5¾	5⅞ - 5¾	5⅝ - 5½	5⅜ - 5¼
Dutch Guilder	5⅝ - 5⅛	5⅝ - 5½	5⅜ - 5⅛	5¼ - 5⅛	5 - 4⅞	4⅞ - 4¾
French Franc	6½ - 6⅛	6½ - 6⅛	6½ - 6⅛	6⅜ - 6¼	6⅛ - 5¾	5¾ - 5⅝
Portuguese Esc.	11 - 10½	11 - 10½	10½ - 10⅛	10⅝ - 10¼	10⅜ - 10⅛	10¼ - 9¾
Spanish Peseta	8⅞ - 8¾	8⅞ - 8¾	9 - 8¾	8¾ - 8½	8½ - 8⅜	8⅛ - 7⅞
Sterling	6 - 5¾	5⅞ - 5⅞	5⅞ - 5⅝	5⅝ - 5¼	5⅜ - 5¼	5⅜ - 5¼
Swiss Franc	4½ - 4¼	4¼ - 4⅛	4⅛ - 4	3⅞ - 3¾	3⅞ - 3⅝	3¾ - 3⅝
Can. Dollar	3⅝ - 3⅛	3⅝ - 3⅜	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3⅞ - 3¾
US Dollar	3¼ - 3⅛	3⅛ - 3	3⅛ - 3⅛	3⅜ - 3⅛	3½ - 3⅜	3⅞ - 3¾
Italian Lira	10 - 8	8⅞ - 8⅛	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7¾	8¼ - 7⅞
Yen	2¼ - 2⅛	2⅛ - 2¼	2⅛ - 2⅛	2¼ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.07	94.04	-0.03	94.06	94.03	19,890	113,631
Jun	94.68	94.57	-0.08	94.64	94.55	16,397	72,851
Sep	94.98	94.94	-0.05	94.99	94.93	5,547	44,075
Dec	95.22	95.21	-0.04	95.24	95.20	2,676	27,585

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.58	96.58	-0.03	96.58	96.58	244	5626
Jun	96.27	96.25	-0.02	96.27	96.26	128	3812
Sep	95.95	95.94	-0.02	95.95	95.93	55	1344
Dec		95.57	-0.02			0	561

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.42	94.41	-0.01	94.44	94.40	30385	219800
Jun	94.89	94.86	-0.03	94.90	94.85	30505	179214
Sep	95.21	95.19	-0.02	95.22	95.17	9762	151815
Dec	95.40	95.37	-0.02	95.40	95.35	7998	119204

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.82	91.82	-	91.84	91.81	3878	42785
Jun	92.43	92.41	-0.01	92.43	92.41	2238	40017
Sep	92.83	92.82	-	92.83	92.80	1759	22680
Dec	93.09	93.07	-	93.10	93.05	1203	12704

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.11	96.09	-0.03	96.12	96.08	5268	31823
Jun	96.40	96.40	-0.02	96.42	96.38	1593	15963
Sep	96.55	96.54	-0.02	96.56	96.53	400	6513
Dec	96.56	96.54	-0.03	96.56	96.53	203	2118

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.95	93.95	-	93.97	93.93	1584	12896
Jun	94.51	94.49	-0.01	94.51	94.46	138	10582
Sep	94.88	94.86	-0.01	94.88	94.85	105	8671
Dec	95.16	95.12	-0.03	95.16	95.13	175	6142

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.58	96.58	-0.01	96.59	96.57	79,949	426,273
Jun	96.28	96.28	-	96.29	96.26	158,362	425,088
Sep	95.96	95.95	-0.01	95.97	95.94	156,406	307,030
Dec	95.59	95.59	-	95.60	95.56	79,451	225,410

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.87	96.86	-0.01	96.88	96.86	3,845	24,193
Jun	96.60	96.60	-0.01	96.62	96.60	2,210	10,480
Sep	96.29	96.31	-0.02	96.31	96.29	495	3,148

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9425	0.19	0.63	0.98	0.03	0.02	0.02
9450	0.05	0.40	0.72	0.14	0.04	0.03
9475	0.01	0.21	0.51	0.35	0.10	0.07

Est. vol. total, Calls 5281 Puts 5189. Previous day's open int., Calls 208667 Puts 142436

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9600	0.13	0.43	0.58	0.04	0.03	0.04
9625	0.03	0.20	0.37	0.19	0.05	0.08
9650	0.01	0.08	0.21	0.42	0.18	0.17

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1398 Puts 3035

UK INTEREST RATES

LONDON MONEY RATES

Feb 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 5⅜	5½ - 5¼	5½ - 5⅜	5½ - 5⅜	5⅜ - 5¼	5⅜ - 5¼
Sterling CDs	-	-	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5⅛	5⅜ - 5⅛
Treasury Bills	-	-	5⅜ - 5⅛	5 - 4⅞	-	-
Bank Bills	-	-	5⅜ - 5⅛	5⅜ - 5¼	5⅛ - 4⅞	-
Local authority deps.	5⅝ - 5¼	5½ - 5¼	5½ - 5¼	5½ - 5¼	5⅜ - 5⅛	5⅜ - 5⅛
Discount market deps.	6½ - 5½	5⅜ - 5⅛	-	-	-	-

UK clearing bank base lending rate 5½ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1¾	4¼	4	3¾	3¾

Certs of Tax dep. under £100,000 is 2¼pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.8533pc. ECGD fixed rate Stlg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate 5½pc from Feb 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.67	94.64	-0.04	94.71	94.63	24107	104060
Jun	94.88	94.82	-0.07	94.90	94.81	25679	115206
Sep	94.91	94.84	-0.08	94.94	94.84	8680	56089
Dec	94.88	94.82	-0.07	94.91	94.81	4757	72330

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9450	0.18	0.38	0.47	0.04	0.06	0.13
9475	0.05	0.20	0.30	0.16	0.13	0.21
9500	0.01	0.09	0.17	0.37	0.27	0.33

Est. vol. total, Calls 8609 Puts 5178. Previous day's open int., Calls 148126 Puts 134609

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk	5.5	Whiteaway Laidlaw	6.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West	6.5
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5		
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5		
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	* Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Calcash Deposit Fund	5.03	-	5.16	3-Mth
Deposits Over £1 million	5.10	-	5.26	3-Mth
Deposits Over £2 million	5.29	-	5.40	3-Mth
The CBF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.15	-	5.25	3-Mth
Cent. Bd. of Fin. of Church of England‡ 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.20	-	5.30	3-Mth
Gartmore Money Management Ltd 16-18 Monument St, London EC3R 8QQ 071-236 1425				
TESSA Unit.				
Call Fund	4.87	3.65	4.92	6-Mth
7-day Fund	4.86	3.64	4.92	6-Mth
Special Fund	4.89	3.67	5.00	1-Mth
Dollar	1.90	1.43	1.91	3-Mth
TESSA Prem.	4.92	-	4.60	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
Aitken Hume Bank plc 30 City Road, London EC1Y 2AY 071-638 6070				
Treasury Account – for professional advisers				
£25,000-£49,999	5.00	3.750	5.12	Mth
£50,000 or more	5.25	3.9375	5.38	Mth
Monthly Inc Acc – for personal and business clients				
Up to £9,999	3.50	2.625	3.56	Mth
£10,000 – £24,999	4.25	3.1875	4.33	Mth
£25,000 – £49,999	4.75	3.5625	4.85	Mth
£50,000 or more	5.00	3.75	5.12	Mth
Money Market quotations – phone telephone				
Allied Trust Bank Ltd 97-101 Cannon St, London, EC4N 5AD 071-626 0879				
FOMMA (£2,001+)	6.54	4.90	6.54	Yearly
TREMMA (£2,001+)	5.85	4.39	5.85	Yearly
TOMMA (£2,001+)	5.64	4.23	5.64	Yearly
OMNA (£2,001+)	5.33	3.99	5.33	Yearly
HICA (£2,001+)	4.25	3.19	4.33	Mth
HIBCA (£2001+)	4.25	3.19	4.33	Mth
Premier TESSA	6.87	5.15	6.87	Yearly
American Express Bank Ltd Sussex House, Burgess Hill RH15 9AQ 0444 232444				
High Performance Cheque Account				
£500-£999.99	1.25	0.94	1.26	Mth
£1,000-£4,999.99	3.75	2.81	3.82	Mth
£5,000-£9,999.99	4.00	3.00	4.07	Mth
£10,000-£24,999.99	4.25	3.19	4.33	Mth
£25,000-£49,999.99	4.50	3.38	4.59	Mth
£50,000+	5.00	3.75	5.12	Mth
Bank of Ireland High Interest Cheque Acc 36-40 High St, Slough SL1 1EL 0753 516516				
£10,000+	3.75	2.813	3.803	Qtr
£2,000-£9,999	3.50	2.625	3.546	Qtr
Bank of Scotland 38 Threadneedle St, EC2P 2EH 071-601 6446				
MM Chq Acc £2,500-£24,999	3.85	2.89	3.92	Mth
£25,000-£249,999	4.10	3.07	4.18	Mth
£250,000+	5.25	3.93	5.38	Mth
Barclays Select PO Box 120, Westwood Bs Pk, Coventry 0800 400100				
£2,000-£9,999	4.05	3.04	4.05	Yearly
£10,000-£24,999	5.00	3.75	5.00	Yearly
£25,000-£49,999	5.25	3.94	5.25	Yearly
£50,000-£99,999	5.75	4.31	5.75	Yearly
£100,000+	6.00	4.50	6.00	Yearly
Barclays Prime Account H.I.C.A. PO Box 125, Northampton 0604 252891				
£1,000-£2,499	2.20	1.65	2.22	Qtr
£2,500-£9,999	2.50	1.88	2.52	Qtr
£10,000-£24,999	3.00	2.25	3.03	Qtr
£25,000+	3.60	2.70	3.65	Qtr
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2 071-606 9833				
HICA	4.50	3.375	4.58	Qtr
Prof Demand A/c	4.50	3.375	4.58	Qtr
Caledonian Bank Plc 8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235				
HICA	5.0	3.750	-	Yearly
Cater Allen Ltd 20 Birchin Lane, London EC3V 9DJ 071-623 2070				
HICA	4.00	3.00	4.08	Mth
Contact £5,000 min.	4.63	3.47	4.73	Mth
Overnight	5.00	-	5.1102	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH 071-248 4000				
£2,500-£19,999	4.00	3.00	4.07	Mth
£20,000-£49,999	4.25	3.19	4.33	Mth
£50,000-£99,999	4.50	3.38	4.59	Mth
£100,000+	4.75	3.56	4.85	Mth
$5,000-$49,999	1.50	1.13	1.51	Mth
$50,000-$99,999	2.00	1.50	2.02	Mth
$100,000-$199,999	2.25	1.69	2.27	Mth
$200,000+	2.50	1.88	2.53	Mth
Many other currencies are available – for rates please phone ext 2168				
Clydesdale Bank Flexible Solution Acc 30 St Vincent Place, Glasgow G1 2HL 041-248 7070				
£10,000-£29,999	3.70	2.78	3.73	Qtr
£30,000-£99,999	3.75	2.81	3.80	Qtr
£100,000-£199,999	3.80	2.85	3.85	Qtr
The Co-operative Bank PO Box 300, Skelmersdale, Lancs 0345 252000				
TESSA	5.50	-	-	Yearly
Pathfinder – Card Based Current Account				
All Balances	5.37	4.03	5.50	Mth
Investment 60 – 60 Day Notice Savings				
£50,000+	5.50	4.13	5.58	6-Mth
£25,000-£49,999	4.75	3.56	4.81	6-Mth
£10,000-£24,999	4.25	3.19	4.30	6-Mth
£5,000-£9,999	3.25	2.44	3.28	6-Mth
Top Tier – Instant Access Savings				
£50,000+	4.00	3.00	4.04	6-Mth
£10,000-£49,999	3.50	2.63	3.53	6-Mth
£5,000-£9,999	2.50	1.88	2.52	6-Mth
Business Deposit – Instant Access				
£250,000+	4.75	3.56	4.81	6-Mth
£50,000-£249,999	3.31	2.48	3.34	6-Mth
£10,000-£49,999	3.00	2.25	3.02	6-Mth
£500-£9,999	2.50	1.88	2.52	6-Mth
30-60 day notice available Tel 061-829 5526				

	Gross	Net	Gross CAR	Int Cr
Coutts & Co 440 Strand, London WC2R 0QS				
Coutts Corporate Account for clients money 15 Lombard Street, London EC3V 9AU				
Rates negotiable up to	4.875	-	-	-
Dao Heng Bank (London) PLC Premier Acc 10 Angel Court, London EC2R 7HP				
£20,000+	5.25	3.94	5.35	[illegible]
£10,001-£20,000	4.50	3.38	4.58	[illegible]
£2,500-£10,000	4.00	3.05	4.08	[illegible]
Savings Account	3.00	2.25	3.03	[illegible]
Davenham Tst Plc–Davenham 500 Acc 8 St John St, Manchester M3 4DU				
£10,000+ 6Mths	7.25	5.4375	-	[illegible]
£10,000+ 1 Year	7.50	5.625	7.5	[illegible]
£5,000+ Fixed Rate	8.00	6.00	7.7	[illegible]
Fidelity Money Market Account Fidelity Brokerage Services Ltd, Oakhill House, Hildenborough, Kent TN11 9DZ				
£1-£49,999	4.00	3.00	4.06	[illegible]
£50,000-£249,999	4.50	3.375	4.58	[illegible]
£250,000-£499,999	5.125	3.8437	5.22	[illegible]
£500,000+ Money Market Rates on request				
Gartmore Money Management Ltd 16-18 Monument St London EC3R 8QQ				
HICA £10,000 +	4.00	3.00	4.06	[illegible]
Halifax Bldg Soc Asset Reserve Cheque Acc Trinity Road, Halifax HX1 2RG				
Rates for personal customers				
£50,000 and above	5.60	4.20	5.72	[illegible]
£25,000 to £49,999	5.25	3.94	5.35	[illegible]
£10,000 to £24,999	4.80	3.60	4.89	[illegible]
£5,000 to £9,999	4.25	3.19	4.32	[illegible]
Rates for non-personal customers				
£50,000 and above	5.25	3.94	5.35	[illegible]
£25,000 to £49,999	4.75	3.56	4.84	[illegible]
£10,000 to £24,999	4.50	3.38	4.58	[illegible]
£5,000 to £9,999	4.25	3.19	4.32	[illegible]
Julian Hodge Bank Ltd 10 Windsor Place Cardiff CF1 3BX				
6 Mth Fixed Rate Bond Acc	6.50	4.88	6.61	[illegible]
3 Mth Fixed Rate Bond Acc	6.00	4.50	6.14	[illegible]
1 Mth Fixed Rate Deposit Acc	6.00	4.50	6.14	[illegible]
Humberclyde Finance Group 5 Bartley Way, Hook, Basingstoke				
£50,000+	5.50	4.13	5.61	[illegible]
Leopold Joseph & Sons Limited 29 Gresham Street, London EC2V 7EA				
Treasury High Interest Cheque Account				
£25,001-£100,000	4.75	3.5630	4.8400	[illegible]
£100,001 plus	5.00	3.7500	5.0900	[illegible]
Kleinwort Benson Ltd 155 Kentish Town Rd, London NW5 2BT				
H.I.C.A. (£2,500+)	4.375	3.281	4.459	[illegible]
Kleinwort Benson Private Bank (a division of Kleinwort Benson Investment Management Ltd) 155 Kentish Town Road, London NW5 2BT				
H.I.C.A. (£2,500+)	4.375	3.281	4.458	[illegible]
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS				
£100,000 and above	5.50	4.13	5.50	[illegible]
£50,000+	5.15	3.86	5.15	[illegible]
£25,000+	4.95	3.71	4.95	[illegible]
£10,000+	4.75	3.56	4.75	[illegible]
Midland Bank plc PO Box 2, Sheffield				
Exchequer Acc £500+	3.75	2.81	3.75	[illegible]
£10,000+	4.50	3.37	4.50	[illegible]
£25,000+	5.00	3.75	5.00	[illegible]
£50,000+	5.75	4.31	5.75	[illegible]
TESSA	6.25	-	[illegible]	[illegible]
Nationwide Bldg Soc – BusinessInvestor Business High Interest Cheque Account Pipers Way, Swindon				
£2,000-£4,999	3.30	2.48	3.34	[illegible]
£5,000-£9,999	3.80	2.85	3.85	[illegible]
£10,000-£24,999	4.30	3.23	4.37	[illegible]
£25,000-£49,999	4.80	3.60	4.89	[illegible]
£50,000+	5.30	3.98	5.41	[illegible]
Portman Bldg Soc Prestige Cheque Account Richmond Hill, Bournemouth, BH2 6EP				
£50,000+	5.50	4.13	5.50	[illegible]
£30,000-£49,999	5.00	3.75	5.00	[illegible]
£20,000-£29,999	4.50	3.38	4.50	[illegible]
£10,000-£19,999	3.50	2.63	3.60	[illegible]
£2,500-£9,999	2.50	1.88	2.50	[illegible]
Rea Brothers Limited, Bankers Alderman's Walk, London EC2M 3XR				
Professional Client Account	3.5	2.63	3.56	[illegible]
Professional Client Account £50,000+	5.5	4.13	5.64	[illegible]
£5,000+ Instant Access Deposit A/c	4.5	3.38	4.58	[illegible]
Royal Bank of Scotland plc Premium Acc 42 St Andrew Sq, Edinburgh EH2 2YE				
£50,000+	4.50	3.38	4.58	[illegible]
£25,000-£49,999	4.10	3.08	4.16	[illegible]
£10,000-£24,999	3.50	2.63	3.55	[illegible]
£5,000-£9,999	2.00	1.50	2.02	[illegible]
£2,000-£4,999	1.50	1.13	1.51	[illegible]
Save & Prosper/Robert Fleming 16-22 Western Rd, Romford RM1 3LB				
Chert Account	4.00	3.00	4.08	[illegible]
TESSA Fixed 1 Year	4.17	-	4.25	[illegible]
TESSA Variable	4.89	-	5.009	[illegible]
Tyndall Bank plc 29-33 Princess Victoria St, Bristol				
HIMA £5000+	3.875	2.906	3.932	[illegible]
Branded Value Plus	4.000	3.000	4.080	[illegible]
HIMA £50000+	4.125	3.094	4.189	[illegible]
HIMA £100000+	4.250	3.188	4.318	[illegible]
Tyndall TESSA	4.750	-	4.835	[illegible]
ULC Trust Limited 1 Great Cumberland Pl, London W1H 7AL 071-258 0094				
£10,000-90 day notice	7.00	5.25	7.19	3-Mth
£10,000-180 day notice	7.75	5.81	7.90	6-Mth
£25,000 – 1 Year	7.50	5.63	-	Yearly
United Dominions Trust Ltd PO Box 92, 116 Cockfosters Rd, Barnet, Herts, EN4 0DY				
Capital Plus Cheque Account				
£1,000+	4.75	3.56	4.84	Qtr
J. Henry Schroder Wagg & Co Ltd 120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc.	4.750	3.560	4.830	Mth
£10,000 and above	5.000	3.750	5.090	Mth
Western Trust High Interest Cheque Acc The Moneycentre, Plymouth PL1 1SE 0752 224141				
£15,000+	5.00	3.75	5.09	Qtr
£5,000-£14,999	4.75	3.56	4.84	Qtr
£1,000-£4,999	4.50	3.38	4.58	Qtr
Wimbledon & South West Finance PLC 114 Newgate St, London EC1 7AE 071-606 9485				
High Int Cheque Acc	4.50	3.38	4.58	Qtr

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

INDICES

	Feb 2	Feb 1	Jan 31	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	(u) 23311.1	23245.7	23311.10	1/2/94		12167.88	8/3/93
Australia							
All Ordinaries(1/1/80)	2312.1	2310.1	2310.8	2312.10	2/2/94	1495.00	13/1/93
All Mining(1/1/80)	1109.2	1106.5	1098.2	1109.20	2/2/94	584.78	13/1/93
Austria							
Credit Aktien(30/12/84)	460.66	460.00	458.04	460.66	2/2/94	300.26	14/1/93
Traded Index(2/1/91)	1220.51	1222.25	1215.38	1222.25	1/2/94	712.86	15/1/93
Belgium							
BEL20 (1/1/91)	1522.10	1526.63	1529.44	1529.44	31/1/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	(u)	82686.0	74056.0	82686.00	1/2/94	714.72	4/1/93
Canada							
Metals Minls§§(1975)	(u) 3824.93	3807.82	3824.93	1/2/94		2743.31	21/1/93
Composite♦ (1975)	(u) 4581.30	4554.90	4581.30	1/2/94		3275.80	21/1/93
Portfolio§§ (4/1/83)	(u) 2182.69	2174.76	2182.69	1/2/94		1720.97	21/1/93
Chile							
IPSA Gen (31/12/80)	(u) 4686.6	4607.3	4686.60	1/2/94		2812.80	10/5/93
Denmark							
CopenhagenSE(3/1/83)	415.79	413.07	407.13	415.79	2/2/94	281.80	4/1/93
Finland							
HEX General(28/12/90)	1939.7	1929.5	1895.7	1939.70	2/2/94	843.18	22/1/93
France							
SBF 250 (31/12/90)	1570.84	1572.29	1573.38	1573.38	31/1/94	1114.19	28/1/93
CAC 40(31/12/87)	2355.93	2331.29	2334.36	2355.93	2/2/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	835.80	835.04	832.42	855.87	4/1/94	580.82	14/1/93
Commerzbank(1/12/53)	2393.0	2388.6	2381.5	2489.00	4/1/94	1684.20	14/1/93
DAX (30/12/87)‡	2184.01	2179.67	2177.45	2267.98	3/1/94	1516.50	13/1/93
Greece							
Athens SE(31/12/80)	1097.17	1083.98	1055.17	1194.58	18/1/94	667.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	11785.83	11826.89	11487.02	12201.09	4/1/94	5437.80	4/1/93
India							
BSE Sens.(1979)	4036.8	3947.8	3994.8	4069.30	27/1/94	2100.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	592.16	591.95	592.02	612.80	5/1/94	273.31	5/1/93
Ireland							
ISEQ Overall(4/1/88)	2088.22	2079.17	2088.98	2082.16	20/1/94	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	668.30	666.75	662.11	668.30	2/2/94	448.33	8/1/93
MIB General (4/1/94)	1068.0	1065.0	1059.0	1068.00	2/2/94	944.00	10/1/94
Japan							
Nikkei 225 (16/5/49)	20250.03	20416.34	20229.12	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	300.17	303.97	302.15	306.84	10/11/93	249.84	29/11/93
Topix (4/1/68)	1627.68	1643.10	1629.27	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	2168.92	2194.20	2167.88	2384.97	7/6/93	1851.72	26/1/93
Malaysia							
KLSE Comp.(4/4/86)	1148.04	(c)	1106.99	1314.46	5/1/94	614.28	13/1/93
Mexico							
IPC (Nov 1978)	(u) 2787.32	2781.37	2787.32	1/2/94		1504.15	25/2/93
Netherland							
CBS TtlRtnGen(End 83)	453.1	451.9	454.9	454.90	31/1/94	295.70	4/1/93
CBS All Shr (End 83)	293.2	292.9	294.2	294.20	31/1/94	198.80	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2418.68	2423.62	2397.92	2423.62	1/2/94	1485.37	21/1/93
Norway							
Oslo SE(Ind)(2/1/83)	1195.27	1191.82	1195.61	1195.61	31/1/94	688.93	27/1/93
Philippines							
Manila Comp (2/1/85)	2906.14	2835.49	2874.56	3309.37	4/1/94	1270.68	4/1/93
Portugal							
BTA (1977)	3047.8	3019.6	3018.0	3047.80	2/2/94	1698.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	610.84	612.90	605.42	641.61	4/1/94	394.10	13/1/93
South Africa							
JSE Gold (28/9/78)	2021.0¶	1957.0	1938.0	2331.00	4/1/94	775.00	5/1/93
JSE Ind. (28/9/78)	5679.0¶	5559.0	5536.0	5750.00	7/1/94	4333.00	19/4/93
South Korea							
KoreaCmpEx(4/1/80)**	974.28	960.10	945.71	974.28	2/2/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	356.47	351.27	358.31	358.31	31/1/94	218.80	4/1/93
Sweden							
AffarsvardnGen (1/2/37)	1602.6	1588.2	1603.9	1603.90	31/1/94	879.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1410.58	1408.90	1423.34	1423.34	31/1/94	904.80	11/1/93
SBC General (1/4/87)	1090.60	1083.97	1093.29	1093.29	31/1/94	678.78	11/1/93
Taiwan							
WeightedPr.(30/6/66)**	6258.21	6176.81	6115.12	6454.52	6/1/94	3098.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1453.44	1455.58	1493.45	1753.73	4/1/94	818.84	1/5/93
Turkey							
Istanbul Comp.(Jan 1986)	19403.4	20978.8	20104.8	20983.80	13/1/94	3958.53	1/1/93
WORLD							
MS Capital Int (1/1/70)$	638.2*	641.0	637.0	641.00	2/2/94	488.80	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1540.13	1532.83	1540.19	1540.19	31/1/94	1083.02	13/1/93
Euro Top-100 (26/6/90)	1311.01	1298.47	1307.08	1311.01	2/2/94	882.73	13/1/93
JCapelDrgns (31/12/88)	(u)	370.87	364.62	365.39	5/1/94	188.82	4/1/93
Barings Emerg(7/1/92)	(u)	177.53	174.76	177.53	1/2/94	98.81	4/2/93

* Sat Jan 29: Taiwan Weighted Price (c) ; Korea Comp Ex 948.11. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 2 - 2184.05 +2.17.

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2375.0	2368.0	+21.0	2375.0	2338.0	21,922	25,680
Mar	2384.0	2377.5	+20.5	2384.0	2352.0	1,097	43,951
Jun	2365.0	2375.5	+23.0	2365.0	2347.5	4	2,468

Open interest figures for previous day.

US INDICES

Dow Jones	Feb 1	Jan 31	Jan 28	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3964.01	3978.36	3945.43	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	105.38	105.46	105.52	109.77 (18/10/93)	103.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1853.4	1858.98	1834.59	1858.98 (31/1/94)	1453.84 (4/1/93)	1858.98 (31/1/94)	12.32 (8/7/32)
Utilities	224.49	226.01	225.42	256.46 (31/8/93)	217.11 (24/1/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3998.06 (4002.84) Low 3938.12 (3937.27) (Theoretical♦)
Day's high 3981.73 (3985.47) Low 3957.25 (3944.03) (Actual♦)

Standard and Poors	Feb 1	Jan 31	Jan 28	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	479.62	481.61	478.70	481.61 (31/1/94)	429.05 (8/1/93)	481.61 (31/1/94)	4.40 (1/6/32)
Industrials	558.86	553.12	555.06	558.28 (31/1/94)	498.48 (25/4/93)	558.19 (31/1/94)	3.62 (21/6/32)
Financial	46.29	46.55	46.18	48.49 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	266.44	257.10	265.42	267.18 (31/1/94)	236.21 (8/1/93)	267.18 (31/1/94)	4.46 (25/4/42)
Amex Mkt Val	485.39	485.63	483.22	485.98 (1/2/94)	395.84 (8/1/93)	485.98 (1/2/94)	29.31 (9/12/72)
NASDAQ Comp	797.34	800.47	796.53	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

RATIOS

	Jan 28	Jan 21	Jan 14	Year ago
Dow Jones Ind. Div. Yield	2.57	2.59	2.62	3.13
	Jan 26	Jan 19	Jan 12	Year ago
S & P Ind. Div. yield	2.35	2.34	2.35	2.51
S & P Ind. P/E ratio	27.99	28.13	28.07	26.96

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	479.70	480.80	+0.95	480.90	479.85	48,369	184,899
Jun	-	-	-	-	-	641	5,417
Sep	-	-	-	-	-	74	918

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	5,205,900	73⅛	+⅛
Wal-Mart	3,980,500	26¾	+⅝
Gen Motors	2,953,400	60⅛	-⅛
West Digital	2,817,800	12⅛	+⅛
Hanson	2,785,500	21⅝	+⅞
Comp Assoc	2,702,600	36⅛	——
Citicorp	2,398,300	43½	+¼
RJR Nabisco	2,354,800	7¼	-⅛
Merrill Lynch	2,169,200	43⅜	-1

TRADING ACTIVITY

● Volume (million)	Feb 1	Jan 31	Jan 28
New York SE	314.177	307.920	312.836
Amex	24.212	23.244	21.536
NASDAQ	339.754	329.921	347.489
NYSE			
Issues Traded	2,743	2,766	2,738
Rises	939	1,406	1,302
Falls	1,132	730	763
Unchanged	672	620	671
New Highs	139	209	151
New Lows	15	16	10

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Wednesday, February 2, 1994

	Stocks Traded	Closing Prices	Change on day
Fuji Heavy Inds	13.7m	393	+14
Isuzu Motor	13.5m	456	-1
Japan Metal & Chem	12.0m	650	+66
Hitachi Zosen	9.7m	589	+14
Fujitsu Ltd	9.5m	1,040	
Nippon Steel	6.9m	350	-8
Suzuki Motor	8.4m	1,340	-110
Nissan Motor	8.3m	841	+21
NKK Corp	7.4m	265	-4
Mitsubishi Motor	6.7m	883	

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan. The Reports will be sent on the next working day. If faxing please remember to state FT Japan and also your post code.

4 pm close February 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

Continued on next page

4 pm close February 2

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22	16 1/2	S Anita Rl	1.36	7.7	12	48	17 3/4	17 5/8	17 3/4	+1/8
20 3/4	11 1/2	SCOR US Cp	0.32	2.7	18	170	12	11 7/8	11 7/8	-1/8
30 1/8	15 3/4	SPS Te	1.28	6.1	8	37	21	20 3/4	21	
16 3/8	12 7/8	Sabine Rlt	1.23	8.7	9	252	14 1/8	14	14 1/8	-1/8
20 3/4	8 7/8	Safecard	0.20	1.1	17	371	18 1/4	18 5/8	18 3/4	+1/8
29 3/8	16 7/8	Safeg'd Sc			13	189	u29 3/8	29	29 1/4	+1/4
24 3/4	13 1/8	SftyKl	0.36	2.1	36	371	17 1/4	17	17 1/8	+1/8
22 3/4	10 7/8	Safeway			25	1735	20 3/4	20 3/8	20 3/8	-1/4
5 1/4	2	SafewayW98				25	4 5/8	4 5/8	4 5/8	
56 1/2	37 1/2	StJoePaper	0.20	0.4	288	236	55 1/8	54 3/4	54 3/4	-1/8
37 7/8	28	StJosL&P	1.80	6.1	12	88	29 3/4	28 7/8	29 3/4	+5/8
98	75	StPaul	3.00	3.4	8	1043	88	86 1/2	87 5/8	+1 1/4
11 3/8	6 1/8	Salant Crp			9	30	7 3/8	7 5/8	7 5/8	+1/8
75 3/4	39 7/8	Sallie Mae	1.40	2.9	10	1252	48 5/8	48 3/8	48 5/8	+3/8
14 3/8	12 5/8	Salomon Br	0.55	4.0		288	13 7/8	13 3/4	13 7/8	+1/8
51 7/8	34	Salomn	0.64	1.3	8	4092	49 1/4	48 3/4	48 7/8	+1/2
27 3/4	23	SnDgGE	1.48	6.3	12	852	23 3/4	23 1/8	23 1/2	-1/8
11 7/8	8 3/8	SantaFeEPs	0.16	1.7	316	1906	9 1/2	9 1/8	9 1/2	+1/8
40 3/4	35 3/4	SantaFePac	2.80	7.0	18	84	40	39 3/4	39 3/4	-1/8
28 1/4	12 3/4	SanFeP	0.10	0.4	14	3929	25 3/8	24 3/4	25 3/8	+5/8
31 1/8	21	SaraLee	0.64	2.9	14	14130	22 5/8	21 3/4	21 7/8	-3/8
52 1/4	40 1/8	Scana Corp	2.74	5.6	13	151	48 1/2	48 1/4	48 1/2	+1/8
25 3/4	18 3/4	Scecrp	1.42	7.3	13	5684	19 1/2	19 1/8	19 3/8	
40 1/2	23 7/8	SchererRP			31	272	39	38 1/4	38 1/2	-5/8
71	51 3/4	SchrPl	1.80	2.8	14	2818	63 7/8	62 3/8	63 1/4	+1 1/4
68 7/8	54 5/8	Schlmb	1.20	2.0	25	6302	60 3/4	59 1/2	60 1/4	+1 1/4
38 3/8	16 1/2	Schwab(C)	0.28	1.0	13	3358	29 1/4	28 7/8	29 1/4	-3/8
7 7/8	5 5/8	Schwitzer			117	349	8 1/4	8	8 1/4	+3/8
38 7/8	17 3/4	SciAtl	0.12	0.4	57	2171	28 7/8	28 5/8	28 3/4	-3/8
15	9 1/8	Scotsman	0.10	0.7	14	2	14 1/2	14 1/2	14 1/2	
45 3/4	31	ScottP	0.80	1.7	11	2395	46 3/8	45 7/8	46 1/8	
26 5/8	14 1/4	ScudderNAsF	0.27	1.0		145	27	26 3/4	26 7/8	+1/8
11 7/8	7 1/2	ScuddrNEuF	0.16	1.3		796	u12 1/8	11 7/8	11 7/8	-1/8
31 1/2	16 3/4	SeaCntB	0.70	4.1	8	4	17 1/4	17 1/8	17 1/4	+1/8

NASDAQ NATIONAL MARKET

4 pm close February 2

AMEX COMPOSITE PRICES

4 pm close February 2

FINANCIAL TIMES Thursday February 3 1994

AMERICA

Dow eases on further bout of profit-taking

Wall Street

US stocks were hit by a further round of profit-taking as investors adjusted their positions ahead of tomorrow's employment data, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 1.69 lower at 3,962.32, while the more broadly based Standard & Poor's 500 climbed 1.24 to 480.86. The secondary markets made some progress, with the American SE composite adding 1.14 at 487.13 and the Nasdaq composite inching 0.82 ahead to 782.06.

Volume on the NYSE was heavy, with 191m shares traded by 1 pm. Advancing issues led declines by 1,062 to 878.

Santiago featured yet another new high in Chile shares as the IPSA blue chip index rose 4.8 per cent to 127.93.

Brokers attributed the rally to a drop in interest rates on long term treasury bonds.

With the US Treasury market unmoved by the December data, stocks were left with little direction. A positive tone at the opening was soon dissipated and the Dow barometer slipped into negative territory.

The blue-chip index was mostly depressed by two stocks. IBM was down $1 to $55 after a report that sales of its AS/400 mid-range computer were sagging. Sears, the NYSE's most active issue, slumped $3 to $50¼ when Prudential Securities cut its rating on the stock.

The struggle to take over Paramount Communications provided a focal point for the morning's activity, after Viacom and QVC both sweetened their rival bids for the company moments before Tuesday's deadline. With the winner still uncertain, Viacom's B shares slipped $½ to $33⅞. QVC gained $2 to $46⅞, as investors bet that the cable network would lose the battle.

The target company dropped $2 to $77⅝ after warning that it expected to post a net loss of 29 to 33 cents a share in the three months to end-January.

The market reacted to earnings news from several other companies. Sprint, the long-distance telephone concern, advanced $1⅞ to $37¼ on its announcement of record revenues and income in the fourth quarter.

USF&G, the property and casualty insurance group, climbed $1⅝ to $15½ after posting net income of 55 cents a share, well above forecasts.

On the Nasdaq, Amgen dropped $3¼ to $43¾. SG Warburg downgraded the stock after the biotechnology company announced a 32 per cent decline in fourth-quarter net income. Concern over the sales of its Neupogen treatment has depressed the share price in recent sessions.

Canada

Toronto was mixed at noon as gains in the communication and media sectors were restrained by losses in most other areas.

The media sector leapt 331.47 to 9,351.91 on a reports of a possible takeover of Maclean Hunter by Rogers Communications. Maclean Hunter was up C$2¼ to C$16 in volume of 1.3m shares, while Rogers A fell C$1⅝ to C$21⅝.

The TSE 300 composite index was off 3.58 at 4,587.70 in volume of 47.1m shares valued at C$626.1m.

SOUTH AFRICA

Shares in Johannesburg showed a positive trend on reports that political talks between the various parties contesting the April elections had made some progress.

The mood was also supported by an improvement in the bullion price and the gold shares index rose 64 to 2,021. Industrials gained 120 at 5,679 and the overall 127 at 4,899.

EUROPE

Paris builds confidence on interest rate scenario

Hopes of a Bundesbank rate reduction today cut more ice in France than they did in Germany, *writes Our Markets Staff.*

PARIS liked the scenario so much that it pushed the CAC-40 index forward by 1 per cent, or 24.64 to 2,355.93. Turnover was estimated at a high FFr6bn.

Euro Disney went against the rising trend, off FFr1.55 at FFr36.20, as investors reacted to a widening of its net loss in the three months of December. The market was also awaiting the outcome of a meeting by banks exposed to the group's debt on an independent report prepared by auditors.

There was good news elsewhere. Peugeot, encouraged by a rise in January car sales, added FFr6 to FFr867 and Carrefour advanced FFr36 to FFr4,361 as it reported a 5 per cent improvement in 1993 turnover, although this was much in line with expectations.

Paribas, which is expected to release 1993 results today, gained FFr26 to FFr589, while there were reports that it might be about to announce a rearrangement in its cross shareholding with Navigation Mixte, the investment concern, with some sources suggesting that it might lower its 29 per cent stake.

AMSTERDAM saw strength in most of its main blue chips, and this took the AEX up 1.64 to437.38.

Akzo rose Fl 2.00 to Fl 210.60, up11 per cent on the year so far. The chemical group has benefited from its merger with Nobel, announced last November; but Flemings, in London maintained that there are more attractive recovery plays in the chemical sector, while Akzo's estimated net gearing of 67 per cent in 1994 and 60 per cent in 1995 "will restrain capital spending and any dividend increases for at least two years".

Fokker stayed busy as the aircraft manufacturer confirmed reports that it had, in the past, been paying Deutsche Aerospace high prices for air frames, but noted that the situation had since improved. The shares shed a further Fl 1.10 to Fl 21.80, off 8 per cent on the week so far and 12.8 per cent since the year's high on January 26.

ZURICH resumed its advance after Tuesday's pause as strong demand took banking stocks to highs for the year and helped the SMI index 20.4 ahead to 3,169.1.

UBS, the first of the leading banks to report 1993 results later this month, added SFr24 to SFr1,510 and SBC was SFr10 higher at SFr529.

A SFr10 rise in Alusuisse to SFr640 was attributed to its recent moderate valuation and this week's rise among US aluminium suppliers following the agreement to cut global production.

FRANKFURT was a market of individual stocks, the rise of just 4.34 to 2,184.01 in the Dax index masking some big changes at corporate level.

Volkswagen liked the court ruling against the Adam Opel claim that VW had poached GM staff, rising DM3.30 to DM447.80. Mannesmann, the engineering group with telecom prospects, seemed even more pleased that DB Capital Markets (Deutschland) was issuing 1m American-style call warrants on the stock, and closed DM10 higher at DM421.

Turnover eased from DM10.5bn to DM9.4bn. Among smaller companies the software publisher, SAP, soared DM495, or 25 per cent to DM2,450 on a 15 per cent rise in net earnings.

MILAN's Comit index rose 2.55 to a fifth consecutive high of 668.30.

Montedison returned to the spotlight, adding L82 or 7.1 per cent to L1,243 as more analysts in the US and UK came to the view that the group was likely to return to profitability this year – rather earlier than many had originally thought. S G Warburg, which rates the stock as a buy, is holding presentations for analysts in Edinburgh and London today and tomorrow.

Fiat rose L145 or 3 per cent to L5,011, shrugging off a protest against layoffs by tens of thousands of workers who packed the central square in Turin. Olivetti added L57 or 2.3 per cent to L2,489 in response to comments on Tuesday by Mr Carlo De Benedetti that he still hoped the computer group would break even this year.

Shares in the newly privatised IMI, which begin trading next week in Milan, were quoted around L12,200 on the grey market in London, compared with the L10,900 offer price.

MADRID gave domestic investment funds the credit for a sharp recovery after Tuesday's correction, the general index rising 5.10, or 1.5 per cent to 356.47 with turnover staying high at Pta48.4bn.

Construction stocks rose 3.3 per cent as utilities took a relative breather; in banks, Banesto rose Pta15 to Pta870 after a high of Pta898.

STOCKHOLM rose on better than expected results from Electrolux and news that Renault had sold part of its stake in Volvo. The Affärsvärlden index added 14.6 to 1602.8 in record turnover of SKr6.1bn. Electrolux B rose SKr26 or 7.3 per cent to SKr381 and Volvo B by SKr16 to SKr692.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Feb 2							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1532.80	1535.08	1534.46	1533.79	1535.10	1538.56	1538.86	1540.13
FT-SE Eurotrack 200	1596.18	1600.70	1600.73	1601.80	1602.34	1606.12	1608.86	1607.10

	Feb 1	Jan 31	Jan 28	Jan 27	Jan 26
FT-SE Eurotrack 100	1532.83	1540.19	1510.22	1496.68	1490.96
FT-SE Eurotrack 200	1596.18	1604.28	1578.86	1566.24	1562.48

Base value 1000 (26/10/90); Highday: 100 - 1540.92; 200 - 1607.73 Lowday: 100 - 1532.28 200 - 1596.18.

ASIA PACIFIC

Nikkei turns lower as Kuala Lumpur surges 3.7%

Tokyo

Share prices eased after an 8.8 per cent gain over the previous two days, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended 166.31 off at 20,250.03 after a day's low of 20,099.41 and a peak of 20,399.24. The Topix index of all first section stocks relinquished 15.44 to 1,627.66.

Investors adjusted their positions ahead of the government's economic stimulus package due to be announced today. The Nikkei rose in the afternoon on arbitrage linked buying, but large-lot profit-taking by corporate and financial institutions ahead of the March book closing eroded the gains, as well as selling by dealers and short term traders.

The rise in the yen against the dollar also hurt export oriented high-technology stocks. A surge of buying by foreign investors had pushed up the yen over a period of days, and fears of increased US pressure over bilateral trade talks also triggered buying by currency traders. However, later in London, Japanese stocks rallied on a recovery in the dollar and the ISE/Nikkei 50 index put on 18.97 at 1,356.34.

Volume totalled 670m shares, against 950m. Declines outpaced advances by 664 to 391, with 140 issues unchanged.

Foreign investors were buyers in a busy automotive sector. Fuji Heavy Industries, the most active stock of the day, moved ahead Y14 to Y393 and Nissan Motor advanced Y21 to Y841. Suzuki Motor, however, retreated Y110 to Y1,340 on profit-taking; and Honda, which owns 20 per cent of Rover, fell Y80 to Y1,620, with investors discouraged by BMW's acquisition of the UK carmaker.

The rise in the yen depressed Matsushita Electric Industrial by Y40 to Y1,690 and Sony Y230 to Y6,170. Canon, the precision maker, slipped Y40 to Y1,580 and Citizen Watch declined Y15 to Y730.

Banks were lower on arbitrage selling. Industrial Bank of Japan dipped Y30 to Y3,310 and Dai-Ichi Kangyo Bank eased Y20 to Y1,990.

Higher gold prices supported Sumitomo Metal Mining, which added Y11 at Y911. Speculative issues were also bought, Sanrio climbing Y160 to Y1,770 and Hanwa, the steel trader, jumping Y62 to Y715.

In Osaka, the OSE average fell 163.71 to 21,957.94 in volume of 96.7m shares. Turnover rose on active trading by investors realising profits on long term holdings in bank shares.

Roundup

Some sharply higher market indices were seen around the Pacific Rim.

KUALA LUMPUR reflected strong institutional buying of blue chip stocks as the composite index forged ahead 41.05, or 3.7 per cent, to 1,148.04.

Ekran, which has been awarded the huge Bakun hydro-electric power project, surged M$8.40, or 44 per cent, to M$27.50.

SEOUL climbed to a 52-month high, helped by massive liquidity on the back of increasing customer deposits and in spite of Won170bn of sales by the stabilisation fund. The composite stock index advanced 14.16, or 1.5 per cent, to 974.26.

Customer deposits at brokerage houses were estimated to have hit a record Won4,200bn on Tuesday. Fears of moves by the government to cool the market brought profit-taking in some blue chips, but the sales were immediately digested by aggressive buyers.

AUSTRALIA saw strong overseas buying, particularly from Asia, push the market to another record close after overcoming some early weakness. The All Ordinaries index ended 2.0 higher at 2,312.1, having slipped to 2,285.0 in early trade.

BOMBAY rose 2.3 per cent, as domestic mutual funds returned as heavy speculative buyers after nearly a week's absence. The BSE 30-share index finished 88.78 up at 4,036.64, having opened lower on mild selling prompted by a government move on Tuesday to raise petrol and diesel prices.

TAIWAN was helped ahead by a strong gain in Formosa group shares, which were supported by unconfirmed local newspaper reports that the group would expand the size of its planned petrochemical complex. Formosa climbed T$2.50 to T$56.50.

The weighted index was finally 82.30, or 1.3 per cent, ahead at 6,259.21 in heavy turnover of T$96.6bn, against Tuesday's T$101bn.

MANILA moved forward in a technical rally, in spite of worries sparked by Tuesday's bombings at three oil companies. The Manila index strengthened 70.65, or 2.5 per cent, to close at 2,906.14.

HONG KONG saw a flurry of late selling linked to the futures market which erased early gains and dragged stocks slightly lower.

The Hang Seng index finished a net 41.06 down at 11,785.83, having hit an early high of 11,970.

NEW ZEALAND paused after six consecutive days of gains and the NZSE-40 capital index fell 4.94 to 2,418.68.

SINGAPORE was mixed in spite of a buoyant Malaysian market, and the Straits Times Industrial index shed 11.0 to 2,338.08.

BANGKOK picked up from a sharp early fall which saw the SET index almost 30 points lower and ended just 2.14 off at 1,453.44 amid renewed demand for finance stocks.

KARACHI finished lower after adverse political news, little institutional support and only cautious buying by foreign funds. The KSE 100-share index fell 19.37 to 2,254.44.

The dark side of emerging markets

By John Pitt

The first month of the new year has seen the flip side to investment in the world's emerging markets, a salutary reminder that these markets remain extremely volatile.

Turkey dived nearly 35 per cent in dollar terms over the week after the currency crisis that saw the lira devalued by 12 per cent, and ultimately led to the resignation of the central bank governor.

Poland's bubble was pricked – it remains to be seen over the next few trading sessions whether or not it has finally burst – although this has yet to show up in the IFC data printed on this page.

In Latin America, Brazil lost 10 per cent in dollar terms; however, the story here remains uncertain until a decision one way or the other on the fiscal package.

Pakistan took a knock, but commentators say this was due mainly to profit-taking, particularly in the cement, chemical and pharmaceutical sectors. It is worth noting that India benefited from Pakistan's loss, as foreign investors switched portfolios.

The performance of these markets in recent days tends to support the view that they have seen a much needed correction in overbought conditions, as opposed – with the exception, perhaps, of Poland – to a freefall.

Turkey remains unsettled, down 7 per cent yesterday, although foreign investors have come in as bargain hunters; the market's fall was provoked by domestic selling.

Brazil, meanwhile, has soared by almost 20 per cent in local currency terms this week. Investors could be in for another rollercoaster ride.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Jan 28 1994	% Change over week	% Change on Dec '93	Local currency terms: Jan 28 1994	% Change over week	% Change on Dec '93
Latin America							
Argentina	(25)	1,054.64	+4.3	+6.1	647,154.25	+4.4	+6.1
Brazil	(57)	295.26	-10.1	+26.9	180,825,375.1	-2.2	+77.9
Chile	(25)	631.09	+0.5	+14.4	1,087.48	+0.3	+14.1
Colombia[1]	(11)	765.94	+3.3	+18.8	1,109.51	+3.7	+19.7
Mexico	(70)	1,063.83	+2.1	+6.3	1,425.14	+2.1	+6.2
Peru[2]	(11)	138.87	+7.1	+14.8	185.12	+8.1	+16.4
Venezuela[3]	(11)	610.30	+2.8	+3.1	1,494.18	+2.8	+5.1
East Asia							
China[4]	(18)	131.86	-0.9	-11.7	144.91	-0.9	-11.7
South Korea[5]	(156)	126.65	+8.2	+7.2	134.57	+7.9	+7.2
Philippines	(18)	291.13	-9.3	-14.5	384.66	-9.3	-13.4
Taiwan, China[6]	(90)	133.08	+1.0	-1.6	132.30	+1.4	-1.1
South Asia							
India[7]	(77)	141.00	+7.8	+21.1	155.93	+7.8	+21.1
Indonesia[8]	(37)	127.10	+0.8	+1.9	146.08	+1.1	+2.8
Malaysia	(105)	274.57	+0.5	-19.0	280.07	+1.4	-16.9
Pakistan[9]	(15)	375.95	-9.2	-3.1	513.73	-9.2	-2.7
Sri Lanka[10]	(5)	203.98	+0.3	+15.1	219.23	-0.1	+14.8
Thailand	(55)	426.15	+7.5	-10.8	432.16	+7.4	-10.6
Euro/Mid East							
Greece	(25)	265.51	-5.4	+16.6	450.34	-5.8	+17.1
Hungary[11]	(5)	252.22	+14.8	+51.3	308.42	+15.8	+52.8
Jordan	(13)	171.19	+0.9	+3.4	249.34	+1.0	+4.1
Poland[12]	(12)	1,184.79	+18.5	+44.9	1,629.39	+18.9	+47.6
Portugal	(25)	128.25	+3.0	+12.7	154.60	+2.3	+11.9
Turkey[13]	(40)	168.92	-34.8	-20.5	1,366.15	-25.4	-6.1
Zimbabwe[14]	(5)	197.05	+0.7	-2.5	245.31	+0.3	+14.8

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 1 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JANUARY 31 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	186.54	0.7	183.51	126.93	167.49	173.59	-0.1	2.96	185.21	183.20	127.61	167.96	173.68	186.54	120.50	120.50
Austria (17)	195.41	1.5	192.23	132.96	175.45	175.10	0.4	0.91	192.53	190.44	132.66	174.60	174.35	195.41	139.23	139.63
Belgium (42)	169.08	0.6	166.33	115.04	151.81	148.58	-0.1	3.87	168.07	166.24	115.80	152.42	148.66	169.08	138.95	140.22
Canada (107)	143.28	0.6	140.95	97.49	128.65	138.14	1.0	2.43	142.47	140.92	98.17	129.20	136.83	145.31	113.98	113.98
Denmark (32)	275.39	2.0	270.91	187.38	247.26	251.25	1.1	0.90	269.93	267.00	185.99	244.79	248.57	275.39	195.66	203.61
Finland (22)	154.85	2.8	152.33	105.36	139.03	178.50	1.8	0.57	150.59	148.96	103.76	136.56	175.35	154.85	65.50	67.60
France (90)	184.37	0.8	181.37	125.45	165.54	169.65	-0.1	2.74	182.95	180.96	126.06	165.91	169.88	184.37	142.90	143.28
Germany (59)	136.42	1.3	134.20	92.82	122.48	122.48	0.2	1.73	134.73	133.27	92.83	122.18	122.18	142.38	105.56	105.96
Hong Kong (56)	482.67	2.7	474.82	328.41	433.37	478.58	2.7	2.22	469.84	464.75	323.74	426.10	465.89	506.56	225.77	227.56
Ireland (14)	209.33	1.6	205.93	142.43	187.95	203.92	1.0	2.73	206.06	203.83	141.99	186.88	201.83	209.33	129.29	138.08
Italy (68)	75.53	0.1	74.31	51.39	67.82	95.00	-0.8	1.73	75.46	74.64	51.99	68.43	95.73	78.93	55.21	59.02
Japan (469)	153.22	2.0	150.73	104.25	137.57	104.25	0.7	0.78	150.27	148.64	103.54	136.28	103.54	165.91	104.55	104.55
Malaysia (89)	494.33	-0.2	486.29	336.35	443.84	527.46	0.0	1.38	495.36	489.99	341.32	449.23	527.46	621.63	259.61	259.61
Mexico (18)	2567.22	1.6	2525.45	1746.75	2304.96	8715.30	1.6	0.58	2526.07	2498.64	1740.54	2290.79	8575.60	2567.22	1410.30	1551.31
Netherland (20)	207.43	0.2	204.06	141.14	186.25	183.18	-0.8	2.89	206.92	204.68	142.58	187.66	184.64	207.43	153.15	153.89
New Zealand (14)	77.14	1.9	75.89	52.49	69.26	71.57	1.2	3.27	75.66	74.84	52.13	68.62	70.74	77.14	41.66	41.66
Norway (23)	202.95	0.7	199.65	138.09	182.22	204.61	-0.1	1.24	201.47	199.29	138.82	182.71	204.86	202.95	138.48	140.22
Singapore (45)	358.54	1.6	352.71	243.95	321.92	261.80	1.1	1.58	352.87	349.05	243.14	320.01	259.06	378.92	213.57	220.91
South Africa (60)	251.76	0.6	247.66	171.30	226.04	242.94	0.4	2.35	250.34	247.62	172.49	227.02	241.98	280.26	159.33	159.33
Spain (42)	153.27	-1.6	150.78	104.29	137.63	162.39	-2.3	3.63	155.79	154.10	107.34	141.28	166.15	155.79	116.39	124.58
Sweden (36)	227.98	-0.6	224.28	155.12	204.70	265.59	-1.2	1.31	229.27	226.79	157.98	207.92	269.96	229.27	149.89	152.77
Switzerland (49)	175.44	0.5	172.58	119.37	157.52	157.22	-1.0	1.39	174.63	172.73	120.33	158.37	158.77	175.44	108.14	111.11
United Kingdom (215)	214.41	0.4	210.92	145.89	192.51	210.92	-0.2	3.41	213.59	211.27	147.17	193.70	211.27	214.41	162.00	167.05
USA (518)	195.09	-0.4	191.92	132.74	175.16	195.09	-0.4	2.69	195.84	193.72	134.94	177.60	195.84	195.84	176.29	180.95
EUROPE (744)	178.24	0.5	175.34	121.28	160.03	170.70	-0.3	2.66	177.37	175.45	122.22	160.85	171.25	178.24	134.16	134.84
Nordic (113)	219.83	0.6	216.25	149.57	197.37	224.32	-0.2	1.11	218.54	216.17	150.58	198.19	224.81	216.83	142.13	144.25
Pacific Basin (722)	165.73	1.9	163.04	112.77	148.80	117.01	0.8	1.04	162.64	160.88	112.07	147.50	116.08	168.80	109.26	109.26
Euro-Pacific (1466)	170.78	1.3	168.00	116.20	153.33	137.88	0.3	1.74	168.62	166.79	116.18	152.91	137.46	170.78	119.43	119.60
North America (625)	191.87	-0.3	188.74	130.65	172.27	191.15	-0.3	2.67	192.52	190.43	132.65	174.59	191.77	192.52	172.67	176.82
Europe Ex. UK (529)	155.51	0.6	152.98	105.81	139.62	147.01	-0.4	2.17	154.65	152.97	106.56	140.24	147.63	156.51	115.10	115.25
Pacific Ex. Japan (253)	285.91	1.6	281.26	194.54	256.71	262.94	1.3	2.28	281.43	278.38	193.92	255.22	259.52	296.21	155.37	155.38
World Ex. US (1651)	172.51	1.3	169.70	117.37	154.88	141.15	0.3	1.75	170.36	168.51	117.39	154.50	140.66	172.51	120.83	120.74
World Ex. UK (1954)	175.58	0.7	172.73	119.47	157.65	153.03	0.1	1.94	174.38	172.49	120.16	158.14	152.88	175.58	137.62	137.52
World Ex. So. Af. (2109)	178.56	0.7	175.66	121.49	160.32	157.35	0.1	2.09	177.39	175.47	122.23	160.87	157.23	178.56	139.89	140.07
World Ex. Japan (1700)	194.45	0.1	191.29	132.31	174.59	186.85	-0.2	2.60	194.15	192.05	133.78	176.07	180.15	194.45	159.44	160.16
The World Index (2169)	178.97	0.7	176.06	121.77	160.69	158.06	0.1	2.09	177.80	175.87	122.51	161.24	157.93	178.97	140.04	140.09

Latest prices were unavailable for this edition. Malaysian market closed February 1